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Guarantor Countries Meet in Rio To Solve Border Conflict

PY3101224895 Sao Paulo AGENCIA ESTADO in Portuguese 2120 GMT 31 Jan 95

[By Luiz Guilhermino]

[FBIS Translated Text] Rio de Janeiro, 31 Jan (AE)—Without the Peruvian and Ecuadoran representatives, and running one hour behind schedule, the first official meeting of the Rio Protocol founding countries—Brazil, Argentina, Chile, and the United States—began at Itamaraty Palace in Rio de Janeiro on 31 January. These countries signed the Rio Protocol in 1942. In this first meeting, the so-called guarantor countries discussed ways of ending the border conflict between Peru and Ecuador, which started on 26 January. The guarantors began drafting a document containing a proposal to be presented to the delegations of the two countries in conflict. When the meeting began at 1630 [1830 GMT], the Peruvians already were in Itamaraty Palace. As of late afternoon, however, the Ecuadorans had not arrived.

Before attending the meeting, Alexander Watson, U.S. State Department under secretary general for Inter-American Affairs, said: "We are glad to be here and will work for a solution." Watson added: "I hope this meeting proves productive." Argentine Deputy Foreign Minister Fernando Petrella said everyone is waiting for "an immediate cease-fire, and hoping that the (Rio Protocol) negotiations lead to peace." Brazilian Acting Foreign Minister Sebastiao do Rego Barros welcomed the negotiators. There was no scheduled time for the meeting to finish, nor any guarantee that the Rio Protocol member countries would meet the Peruvian and Ecuadoran representatives yet today.

Also comprising the Brazilian delegation were: Political Affairs Under Secretary Fernando Reis; Americas Department Head Luiz Felipe Macedo Soares Guimaraes; and Adhemar Bahadian, head of the Itamaraty secretary general's staff. The Peruvian negotiators who, according to Itamaraty, should have attended the meeting were: Deputy Foreign Minister Eduardo Ponce Vizanco, Peruvian Ambassador to Brasilia Antonio Belaunde, Ambassador Alejandro Gordillo, and Peruvian Embassy Secretary Jose Antonio Arco.

The members of the Ecuadoran delegation who should have attended the meeting were: Ambassador Marcelo Fernandez de Cordoba, head of the Sovereignty Division Alfredo Luna, Ecuadoran Ambassador to Brazil Cesar Valdivieso, and Ecuadoran Embassy Counselor Maria del Carmen Gonzalez. The United States was represented by U.S. Ambassador to Brazil Melvyn Levitsky, as well as by Watson. On the Argentine side were: Deputy Foreign Minister Ambassador Fernando Petrella, Foreign Ministry Under Secretary Juan Jose Uranga, and Argentine Embassy Counselor Julio Freyre. Representing Chile were: Deputy Foreign Minister Ambassador Fabio Vio, Ambassador Heraldo Munoz, and Chilean Ambassador to Brazil Pedro Sucqel.

[Madrid EFE in Spanish at 2128 GMT on 31 January, in a report on the Rio meeting, adds: "The representatives of the four Rio Protocol guarantor countries (Argentina, Brazil, Chile, and the United States) ended their discussions at 1915 GMT on 31 January, before meeting their Peruvian and Ecuadoran counterparts."]

Peru, Ecuador Promise Cease-Fire

PY3101230395 Lima Radio Programas del Peru Network in Spanish 2254 GMT 31 Jan 95

[FBIS Translated Text] This is a last-minute report from Rio de Janeiro. The two countries, Peru and Ecuador, have promised a cease-fire. Peru today promised before the guarantor countries of the Rio de Janeiro Protocol to implement a cease-fire in the armed conflict with Ecuador, which assumed the same commitment.

The four guarantor countries of the Rio de Janeiro Protocol—the United States, Brazil, Argentina, and Chile—reported today that the Peruvian Government announced its commitment to enforce the cease-fire on the border with Ecuador. They lamented, however, the two countries' delay in implementing this decision in practice.

Guarantor Countries Issue Communique

PY0102001095 Sao Paulo AGENCIA ESTADO in Portuguese 2320 GMT 31 Jan 95

[Report by Luiz Guilhermino]

[FBIS Translated Text] Rio de Janeiro, 31 Jan (AE)—The four guarantor countries of the Rio de Janeiro Protocol—Brazil, Argentina, Chile, and the United States of America—today released a communique urging the governments of Lima and Quito to simultaneously and officially announce their decision to observe a cessation of military operations in the next few hours. Following a meeting that lasted more than three and a half hours, the vice foreign ministers of the guarantor countries were still preparing tonight a document that is to be submitted to the Ecuadoran and Peruvian representatives, who would be called later to attend the meeting.

Brazilian Acting Foreign Minister Sebastiao do Rego Barros believes that a cease-fire between the two countries is possible. In his opinion, a review of the Rio de Janeiro Protocol, which demarcated the disputed border between the two countries, is a subject of discussion for "the future." In the communique, the guarantor countries evaluated the situation "provoked by the grave incidents that occurred at the border between the two countries, based on three communiques they had issued earlier as well as on the press communiques released by Peru and Ecuador."

The communique adds that the guarantor countries have contacted the two sides to ensure an immediate suspension of military operations in the area of conflict. It adds that, as an initial result of their meeting in Rio de Janeiro, the guarantor countries today received confirmation of the Lima government's political decision—just as the Quito Government did earlier—to observe a cease-fire. The communique notes, however, that the guarantor countries have expressed their deep concern about the delay in the specific implementation of the cease-fire.

The communique concludes by stating that the guarantor countries hope that the public announcement of the cease-fire will create conditions conducive to enabling the Rio de Janeiro meeting to generate positive and lasting results to restore peace and to avoid further bloodshed.

Peruvian Official Joins Meeting

PY0102011495 Madrid EFE in Spanish 2359 GMT 31 Jan 95

[FBIS Translated Text] Rio de Janeiro, 31 Jan (EFE)—On 31 January, at 2000 (2200 GMT), the vice foreign ministers of the four guarantor countries of the Rio de Janeiro Protocol began to meet informally with their Peruvian counterpart Eduardo Ponce.

The meeting will also be attended by Ecuadoran Vice Foreign Minister Marcelo Fernandez de Cordoba, who is on his way from Quito.

This meeting is expected to be instrumental in making the two countries—which today agreed to observe a cease-fire—find a peaceful solution to their disagreements that have provoked armed clashes since 26 January.

A Brazilian Foreign Ministry source told EFE that the representatives of Argentina, Brazil, the United States of America, and Chile have decided to make a preliminary evaluation of the achievements they made at today's extensive meeting.

Argentine Vice Foreign Minister Fernando Petrella, Chilean Vice Foreign Minister Fabio Vio, Brazilian Acting Foreign Minister Sebastiao do Rego Barros, and U.S. Assistant Secretary for Inter-American Affairs Alexander Watson had been meeting since 1600 (1800 GMT). Three hours later, Ponce joined the meeting.

'Official' Cease-Fire Announcement Expected

PY0102034695 Madrid EFE in Spanish 0152 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 31 Jan (EFE)—The guarantor countries of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States) are waiting for an "official" announcement "within the next few hours" from Ecuador and Peru on their decisions to mutually cease aggression relative to their military operations on the common border, initiated on 26 January.

The deputy foreign ministers of Argentina, Fernando Petrella; of Brazil, Sebastiao Dorrego Barrios; and of Chile, Fabio Vio, and Alexander Watson, U.S. State Department assistant secretary for inter-American affairs, explained today the partial results of their negotiations to achieve peace between the two South American countries.

It was announced in an official communique that the deliberations will continue tomorrow, as they were today, at the alternate Brazilian Foreign Ministry in Rio de Janeiro, "but with the presence of the deputy foreign ministers of Peru and Ecuador."

The delay in the flight from Quito has prevented Ecuadoran Foreign Minister [title as received] Fernando Perez de Cordoba from participating in the meeting with his counterparts from Peru and the guarantor countries of the protocol signed on 29 January 1942 to solve the border conflict.

Peruvian Deputy Foreign Minister Eduardo Ponce talked informally with diplomats from Argentina, Brazil, the United States, and Chile until late at night, but only tomorrow will the two parties and their mediators sit at the negotiating table to explore the concrete bases to consolidate peace between the two neighbors.

Ponce, however, announced the decision of his government to also implement the cease-fire.

The communique states that "the deputy foreign ministers of the guarantor countries this afternoon held a first preliminary meeting which must continue with the presence of the deputy foreign ministers of Ecuador and Peru."

It adds that "they made a broad evaluation of the situation created by the serious incidents on the border between the two countries. In that evaluation they took as basis the three statements released over the past few days, as well as the communiques released by Peru and Ecuador.

"Following the initiatives of the guarantor countries, they held contacts with the parties (Ecuador and Peru) to guarantee the immediate suspension of the military operations in the area of confrontation between the two countries," the communique adds.

"As a first result of their meeting in Rio de Janeiro, the guarantor countries received confirmation of the political decision of the Lima government—in the same manner as the Ecuadoran Government had already decided—concerning the implementation of the cease-fire. The guarantor countries, however, expressed their profound concern over the delay in implementing said decision."

The communique adds that "in this sense, we urge the two parties to make a simultaneous announcement of the decision regarding ceasing military operations, officially and within the next few hours."

"The guarantor countries hope that, through the public announcement of the cease-fire, they will be creating the conditions for the Rio de Janeiro meeting to yield positive and long-standing results to restore peace and prevent further bloodshed," the document concludes.

Ecuadoran Official Arrives, Awaits Meeting

PY0102035595 Madrid EFE in Spanish 0259 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 1 Feb (EFE)—Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordoba and Peruvian Deputy Foreign Minister Eduardo Ponce will be meeting throughout the night and into the dawn of Wednesday with their colleagues from the four guarantor countries of the Rio de Janeiro Protocol.

Both officials arrived at the Brazilian Foreign Ministry building at 0035 local time on Wednesday (0235 GMT), and are awaiting the start of the meeting in separate rooms.

It was officially reported that the start of the meeting was delayed because the Ecuadoran deputy foreign minister arrived just a few minutes ago in Rio de Janeiro from Quito.

It seems that the two deputy foreign ministers are holding separate consultations before meeting with representatives of the guarantors of the Rio de Janeiro Protocol (Argentina, Brazil, the Untied States, and Chile) to discuss a cease-fire. The two countries today separately expressed their willingness to discuss a cease-fire.

Guarantors Begin Separate Meetings

PY0102050295 Madrid EFE in Spanish 0426 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 1 Feb (EFE)—Diplomatic representatives of the guarantor countries of the Rio de Janeiro Protocol have begun separate rounds of meetings with Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordoba and Peruvian Eduardo Ponce.

The first round was held with Fernandez de Cordoba, who at this moment is explaining his government's position and is listening to the call for a definite cessation of hostilities with Peru by his colleagues from Argentina, Brazil, Chile, and the United States.

The meeting began at 0150 local time (0350 GMT).

Afterward, the Peruvian deputy foreign minister will enter the main meeting hall at the Rio de Janeiro alternate Foreign Ministry.

Brazilian Foreign Ministry spokesman Antonio Simoes has reported that if these two separate meetings proceed favorably, a joint meeting with the representatives of the two countries in conflict will be proposed.

Guarantors Seek 'Point of Equilibrium'

PY0102071095 Madrid EFE in Spanish 0626 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 1 Feb (EFE)—The deputy foreign ministers of the guarantor countries of the Rio de Janeiro Protocol are seeking "a point of equilibrium" between the positions presented today in this city by their colleagues from Ecuador, Marcelo Fernandez de Cordoba, and from Peru, Eduardo Ponce. This report was released by the spokesman of the meeting, which has been going on for 12 hours of continuous deliberations.

The representatives of the guarantor countries—Argentina, Brazil, the United States, and Chile—held separate meetings with the special envoys to the Brazilian city of Rio de Janeiro from Ecuador and Peru to listen to their respective proposals concerning the conflict unleashed on 26 January in the border zone of the two countries.

Brazilian Foreign Ministry spokesman Antonio Simoes has confirmed to EFE that the guarantors resumed talks without Peru and Ecuador at 0350 Brazilian time (0550 GMT) with the purpose of establishing an intermediate position that can be supported by the two countries.

Simoes said that it is not yet known whether there will be a meeting with the foreign ministers of the two countries in conflict, and that he believes the dialogue could be suspended temporarily so that the delegates can rest.

He insisted on saying that there is "good political willingness" for a cease-fire, but some details still need to be ironed out.

The source added: "There is nothing definite yet. The meetings continue and a proposal that can be accepted by the two parties is being prepared."

The fact that the meeting has not yet been temporarily suspended is in compliance with the need for an "urgent understanding."

Di Tella Views Outcome of Meeting

PY0102013495 Buenos Aires TELAM in Spanish 2334 GMT 31 Jan 95

[FBIS Translated Text] Buenos Aires, 31 Jan (Telam)—Foreign Minister Guido Di Tella has reported that the representatives from the four guarantor countries to the Rio de Janeiro Protocol have agreed this evening to demand the "absolute" need for a cease-fire between Peru and Ecuador.

During a news conference, Di Tella commented on the meeting that diplomats from Argentina, Brazil, Chile, and the United States held today in Rio de Janeiro, as a result of which they also decided to send a mission of civilian and military observers from the four countries to the area of conflict.

Having talked on the phone with Argentine Vice Foreign Minister Fernando Petrella, who participated in the Rio de Janeiro meeting, Di Tella informed the press at the Foreign Ministry that the guarantors were of one mind about the need "to find a definite solution to the border conflict" between Ecuadorans and Peruvians.

The foreign minister insisted that "we cannot allow the conflict to go on for another 53 years. Hence, it is imperative to find a definite settlement of this issue."

Moreover, he underscored "the climate of unanimity existing between the representatives from the four countries." He told the press that he was going to inform "President Carlos Menem, who is closely following the progress of the situation" about the outcome of the Rio de Janeiro meeting.

It has been learned that the delegates of Peru and Ecuador did not attend today's meeting, but that they may be present tomorrow, since the Ecuadoran representative will only arrive in Rio de Janeiro at midnight.

Di Tella explained that if Peru and Ecuador accept the suggestions of the four guarantor countries "the conflict will not have to be dealt with at other levels."

The foreign minister recalled that the OAS convened a meeting of the Permanent Council and that "the OAS is under obligation to convene this meeting, since it was requested by one of the feuding parties," namely, Ecuador.

"The idea of sending a mission of civilian and military observers from the four guarantor countries to the area under dispute is aimed at monitoring negotiations of a possible final agreement between the two warring nations," he explained.

Argentina, Brazil, Chile, and the United States are the four guarantors of the Protocol of Peace, Friendship, and Border Demarcation signed by Peru and Ecuador in Rio de Janeiro in 1942.

Brazilian Official Expects 'Positive Result'

PY0102072695 Madrid EFE in Spanish 0649 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 1 Feb (EFE)—Brazilian Deputy Foreign Minister Sebastiao do Rego Barros has said that he expects a positive result from the meeting held today between the guarantor countries of the Rio de Janeiro Protocol and representatives of the governments of Peru and Ecuador.

Do Rego Barros said that the meeting will probably conclude at dawn today with a definite position between the guarantors and the countries in conflict.

The deputy foreign ministers of Argentina, Brazil, Chile, and the United States—visibly tired—are preparing a position of balance that will satisfy the two Andean nations and guarantee the end of hostilities.

The Brazilian deputy foreign minister said that "one can predict absolutely nothing," although he admitted that the dialogue is proceeding along the correct path.

Representatives of the guarantor countries—Argentina, Brazil, the United States, and Chile—met separately with the special envoys sent by Ecuador and Peru in Rio de Janeiro, to listen to their proposals on the conflict that began on 26 January in a border zone without outlining what the two countries claim as theirs.

Simoes, spokesman of the Brazilian Foreign Ministry, has confirmed to EFE that at 0350 Brazilian time (0550 GMT) the guarantors resumed the talks with Peru but without Ecuador, with the purpose of establishing an intermediate position that can be supported by the two countries.

Talks Suspended Until 1 Feb

PY0102073995 Madrid EFE in Spanish 0717 GMT 1 Feb 95

[FBIS Translated Text] Rio de Janeiro, 1 Feb (EFE)—The meeting of guarantor countries of the Rio de Janeiro Protocol, which is being held in separate halls with representatives of Ecuador and Peru, has been suspended until 1200 local time (1400 GMT), "with an advised but not agreed-upon [convenido pero no acordado] cease-fire."

In remarks to EFE, Brazilian Deputy Foreign Minister Sebastiao do Rego Barros said that the meeting was suspended because the negotiators are "exhausted" and "there is still need for six or eight hours of work."

Do Rego Barros said: "Much has been achieved. Formulas from all parts have been submitted, but we have reached a level of difficulty for technical reasons that also requires consultations at top government levels."

OAS Resolves To Convene Foreign Ministers Meeting

PA3101203195 Hamburg DPA in Spanish 1724 GMT 31 Jan 95

[FBIS Translated Text] Washington, 31 Jan (DPA)—In response to a note from Ecuador on its border conflict with Peru, the OAS Permanent Council has agreed, by consensus, to convene a consultative meeting of foreign ministers "as stipulated in Article 60, Part I, and Article 61 of the OAS Charter." Meeting yesterday in special session, the council "urged the two governments to quickly reestablish peace through a peaceful and friendly solution" to the conflict.

The OAS resolved to:

1. Express its deep concern over the circumstances disturbing the friendship and solidarity between two sister nations and, to this end, urge the Ecuadoran and Peruvian Governments to immediately cease all hostilities.

2. Recognize the negotiations that Argentina, Brazil, Chile, and the United States are conducting as guarantors of the 1942 Rio de Janeiro Protocol to contribute to ending the conflict, while expressing their trust in the task they are undertaking to achieve this goal.

3. Recognize the opportune negotiations being conducted by the OAS secretary general for a peaceful solution to differences between the two countries.

4. Convene, as stipulated in Article 60, Part I, and Article 61 of the OAS Charter, a consultative meeting of the foreign ministers of member states in order to consider the existing situation between Ecuador and Peru by authorizing the president of the Permanent Council to set the date of said meeting, according to the ongoing negotiations.

2. [number as received] Similarly, authorize the president of the Permanent Council to choose the site of the consultative meeting of the foreign ministers, in the event it is held, by taking into account the Uruguayan Government's offer to host the meeting in Montevideo.

6. Instruct the OAS secretary general to convey this decision to the governments of member states.

Central American Presidents Seek Negotiated Solution

PA3101171195 Panama City ACAN in Spanish 1446 GMT 31 Jan 95

[By Juan Ramon Rojas]

[FBIS Translated Text] San Jose, 31 Jan (ACAN-EFE)—After a meeting of Central American presidents with Canadian Prime Minister Jean Chretien, Central America pledged to seek a negotiated solution to the armed conflict between Peru and Ecuador. The meeting ended without any agreement, only with a general joint declaration.

Ramiro De Leon of Guatemala, Armando Calderon Sol of El Salvaodr, Carlos Roberto Reina of Honduras, Violeta Chamorro of Nicaragua, and Ernesto Perez Balladares of Panama arrived in Costa Rica upon the invitation by Costa Rican President Jose Maria Figueres to make several proposals to Chretien about cooperation and trade.

The prime minister promised to jointly work with Central America and "to seek additional areas of cooperation with a real spirit of partnership" according to the joint communique, which does not mention the issues Central America had proposed to discuss with Chretien. These included Canada's possible entry, as an extraregional member, in the Central American Bank of Economic Integration (BCIE), support for electricity interconnection, the transfer of technology, and support for the region's entry into NAFTA under special conditions based on its economic dependence on North America.

In addition to the fact the joint communique ignored the first issues, Chretien warned the Central Americans they must comply with all the conditions stipulated for new members by this trade treaty signed by Canada, the United States, and Mexico in order to join NAFTA.

He suggested in this regard that the Central American presidents monitor the negotiations being undertaken by Chile, which wants to become the fourth NAFTA member.

"We explained the conditions (to enter NAFTA). We want them to follow the negotiations with Chile and know what measures they must adopt," he added.

In the Summit of the Americas held in Miami from 9-11 December "we agreed by the year 2005 we would be together" in a continental free trade zone, the Canadian leader said when he urged the Central Americans to work for this goal.

Figueres stressed the importance of Chretien's visit and said they reviewed the possibility of greater trade and Canadian investment as well as the establishment of a dialogue, possibly at the foreign ministers level, between Central America and Canada.

Figueres said Central America also asked Canada to promote the review of "many of the initiatives" of the IMF and the World Bank, because it believes they are not in tune with reality 50 years after their creation.

While the talks with Chretien were preliminary, according to sources close to the meeting, the presidents did take advantage of the visit to Costa Rica to analyze the armed conflict that broke out between Peru and Ecuador last week.

Costa Rican Foreign Minister Fernando Naranjo said this conflict breaks the spirit of integration on the continent, less than two months after 34 American countries agreed to advance in a coordinated manner toward the creation of a hemispheric free trade zone by 2005.

While Panamanian President Ernesto Perez Balladares offered his country for a dialogue between Peru and Ecuador, the six Central American governments jointly asked the two South American countries to immediately halt "hostilities and provocations" and to resolve their dispute by peaceful means through the OAS.

They also expressed their deep concern over the armed confrontations that have been occurring in the border region since 26 January. Figueres said he has held several telephone conversations with Peruvian President Alberto Fujimori and Ecuadoran President Sixto Duran-Ballen.

The Central American foreign ministers met with Ecuadoran Vice President Alberto Dahik and Congress President Heinz Moeller, who reiterated Ecuador's decision to continue claiming a large strip of land which, they said, was taken from the country in 1941 as a result of an international agreement.

"We were satisfied with the Ecuadoran explanation, and it is now up to the OAS to resolve this conflict," the foreign minister said.

Cuba

Lage: Privatization Not Solution To Problems

PA3101234195 Havana PRENSA LATINA in Spanish 0000 GMT 31 Jan 95

[By Mary Simon]

[FBIS Translated Text] The Cuban Government's opening to foreign capital does not imply a privatization process, according to Vice President Carlos Lage.

In an exclusive interview with PRENSA LATINA during his stay in Davos, Switzerland, to participate in the 25th World Economic Forum, the high-ranking official said privatization is not the solution to his country's problems.

In some sectors, he said, it might be necessary to establish an association with foreign capital to deal with specific problems.

In this regard, he gave as examples the cement industry, in which a Mexican company acquired half of the shares of a cement plant, and the telecommunications industry, in which another Mexican firm holds 50 percent of the assets of the island's telephone enterprise.

Regarding this last negotiation, Lage indicated that the country receives revenues, but above all, the commitment that hundreds of millions of dollars will be invested in this sector in the next 10 years.

In the case of the cement industry, an association with an important Mexican company that is very powerful in Latin America was achieved. That agreement, he said, gives Cuba access to the regional market, puts factories with idle production capacities into operation, and guarantees specific quantities for national consumption.

Regarding possible association agreements in the sugar industry, Lage indicated that at this time there are negotiations on a proposal to create a mixed enterprise to refine sugar.

In general, he said, Cuba promotes that type of enterprise, depending on the sector involved. He explained his government is managing this process with the greatest possible flexibility and with great practicality in search of what is most advisable for the country.

In the sugar industry specifically, financing is sought to guarantee production, and we want, he said, investments in this field to be aimed primarily in that direction.

Associations in other fields seek to obtain markets. He gave the example of the export of alcoholic beverages, which requires a distribution network that the country lacks and which would be very costly to create. The most logical thing, and what we have done, he said, is to associate ourselves with an enterprise that already has such a network.

Asked about the labor force that will be displaced due to the reorganization of the state apparatus, the vice president said this is not a problem because the number involved is fairly small. As a rule, he added, we are being very cautious, and the streamlining of personnel is being applied along with other options.

Tourism, he said, is being developed and is creating new jobs. Foreign investment is increasing and is also creating jobs. Self-employment (independent work) has increased to 160,000 registered people and should increase even more, he said.

This means, Lage pointed out, that the streamlining process will be increasing these new opportunities, and in any case, unassigned workers will always be protected.

A premise of the measures that are being adopted, Lage said, is the preservation of social accomplishments, and I would say, he added, that far from harming them, the measures are being adopted precisely to preserve them.

We need, he stated, a balance in domestic finances, a revaluation of the peso, and all these measures to encourage work in order to precisely maintain the achievements of the revolution in such important fields as education, health, and other social spheres.

He recalled that despite these years of difficulties, health, education, and social benefit budgets have increased, and services have remained free.

Cuba, which is in a full phase of changes, such as the liberalization of the marketing of agricultural products, prefers to talk about ideas, principles, concepts, and the strategy it is proposing.

Carlos Lage said his government has to see as it goes along not only how diversified and deep the changes should be but at what pace and at what time they should be implemented.

We are not defending an abstract idea, he said, or just a good idea. We are defending material and human work that has meant a great deal to the life of the Cuban people, which has meant education and health, and which has provided social peace and social justice.

Under the circumstances in which historic events have placed us, Lage said in conclusion, changes must be introduced into our economic policy. The challenge is to undertake those changes while preserving what the country has achieved.

Meets With France's Mitterrand

FL0102015595 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] French President Francois Mitterrand received Carlos Lage, vice president of the Cuban Council of State, on 31 January. French Foreign Minister Alain Juppe also participated in the meeting.

Lage, who was accompanied by Cuban ambassador to France Raul Roa Kouri, extended warm greetings to Mitterrand from Commander in Chief Fidel Castro, and thanked him for his constancy in opposing the illegal U.S. blockade against Cuba. Mitterrand and Lage addressed bilateral financial relations and examined, among other things, improvements in recent years. They also discussed the increase in Cuba's credit line for 1995. Lage attended a breakfast meeting with 60 leaders of enterprises of the National Council of French Businessmen in Paris, which was also attended by French Minister of Industry and Trade Jose Rossi.

Havana 'Pleased' by Peru-Ecuador Cease-Fire Prospects

FL0102024695 Havana Cuba Vision Network in Spanish 0100 GMT 1 Jan 95

[From the "NTV" newscast]

[FBIS Translated Excerpt] Cuba announced today that it is pleased with the possibility that Peru and Ecuador might reach a cease-fire accord on the border conflict in which the two nations have engaged since last Thursday. (Luis Delpister Osorio), deputy director of the Foreign Ministry's American and Caribbean Desk, stated that Cuba, given its Latin American roots in Bolivar and Marti, has been deeply concerned by these events. [passage omitted]

Ambassador Previews Robaina Visit to PRC

PA0102033495 Havana Radio Havana Cuba in Spanish 0000 GMT 31 Jan 95

[Report by AGENCIA DE INFORMACION NACIONAL correspondent Ricardo Gomez; from the "Evening Information Review" newscast]

[FBIS Translated Text] PRC Ambassador to Cuba Xu Yicong expressed his satisfaction with Foreign Minister Robaina's upcoming visit to that Asian country.

In a statement for Radio Havana Cuba, Xu Yicong said Robaina's visit will contribute to intensifying bilateral relations between both countries, which have strengthened with the expansion of cooperation in economic and other areas.

Xu Yicong said that during Robaina's visit to the PRC, a cultural exchange agreement for the next few years could be signed. He noted that his nation will continue to be one of Cuba's main commercial partners. Last year trade with Cuba totaled $200 million. Exports to Cuba consisted basically of light industry products, textiles, food, bicycles, and tools.

After touring Villa Clara and Sancti Spiritus Provinces, Xu Yicong expressed his optimism about the technical cooperation given by PRC experts to Cuba on fish farming in fresh water.

He said that on other occasions, joint cooperation has included seeking new methods for raising vegetable and manufacturing bicycles and fans.

Xu Yicong has been extraordinary and plenipotentiary ambassador to Cuba since September 1993. He said his visit to farming cooperatives, factories, and other installations on the island have made him more aware of the characteristics and work of the Cuban people in all fields.

Robaina To Meet Thai Officials, Businessmen

FL3101200795 Havana Radio Rebelde Network in Spanish 1800 GMT 31 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Foreign Minister Roberto Robaina today traveled to Thailand for a four-day stay as part of his Asian tour. It was announced in Bangkok that Robaina plans to meet with high-ranking Thai government officials and businessmen. Robaina is scheduled to meet with Thaksin Chinnawat, Thai minister of foreign affairs, and with the ministers of public health and commerce, as well as members of the private sector.

During a mandatory stop in Beijing on his way to Bangkok earlier today, Robaina met with Cuban students in China and discussed their problems, concerns, and the current situation in Cuba. Regarding economic issues, Robaina stressed the importance of studying and absorbing the Chinese model, to benefit from the experience, but reminded the students not to lose touch with their roots. Robaina observed that Cuba and China have different qualities, not only in the number of inhabitants, but also in population distribution between cities and the countryside. While 80 percent of Chinese live in rural zones, only 20 percent of Cubans live in the country, so this part of the Chinese model cannot be duplicated.

National Marti Commemoration Ceremonies Broadcast

FL3001004895

[FBIS Editorial Report] Havana Tele Rebelde and Cuba Vision Networks in Spanish at 0100 GMT on 29 January begins coverage of the nationwide ceremonies honoring the birth of Jose Marti. The video report begins with the laying of a wreath, sent by Commander in Chief Fidel Castro, at the tomb of Jose Marti at the Santa Efigenia Cemetery, Santiago de Cuba. The report includes excerpts of Pioneers torchlight marches in Cienfuegos, Holguin, and Ciego de Avila Provinces.

The next video report shows Fidel Castro at the head of the torchlight march that began at the steps of the University of Havana. Castro is seen walking in the front lines, followed by thousands of students carrying torches enroute to Revolution Square.

The final report from this newscast, at about 0130 GMT, consists of a live relay from Revolution Square showing a wide shot of the illuminated monument to Marti. The national anthem is played, followed by a choir singing, while inspirational words about Marti are read by an unidentified speaker. The crowd is heard chanting, "Fidel! Fidel!" as the camera shows him walking in and standing next to the main podium. Standing near the dais are Vilma Espin, Armando Hart Davalos, Eusebio Leal, Maria de los Angeles Garcia, and Melva Hernandez, among other unidentified officials. The first secretary of the UJC, Victoria Velasquez reads an address about Marti's role in Cuban history, then invites Castro to sign a flag bearing the signatures of numerous patriots. At this point, the crowd is heard asking Castro to speak, which he appears to decline, at which point the camera cuts to a wide shot of the plaze.

The second half of the ceremony consists of a concert by numerous well-known Cuban artists and bands. The live relay ends at approximately 0145 GMT. The concert continues late into the night, which Tele Rebelde continued to broadcast live after the NTV newscast had ended.

CTC Urges Redoubling Efforts in Homage to Marti

FL3001130595 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 30 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] On behalf of the fatherland, the Cuban Workers Federation [CTC] called for a special day of effort, commitment, and dedication in homage to the centennial of the beginning of the war of 1895. The call was issued simultaneously across Cuba. The main ceremony, held at the Lazaro Pena Tobacco Contingent in Havana Province, was held precisely 100 years after the call to uprising of the Necessary War. The solemn ceremony, presided over by Pedro Ross, was held at dawn.

[Begin unidentified speaker recording, in progress] ...for Cuba's freedom. One hundred years later, this January 29, a new order to fight is issued on behalf of the fatherland to raise the arms of labor for the sake of the independence attained; to maintain our place as a nation; to work with what is at hand; to not lose time complaining, just as Marti said when faced with adversity.

It is time to fight in today's trenches with the same valor and boldness as the men of 1895. The CTC thus summons the patriots, the Cuban workers to commemorate the beginning of the war of independence with a special effort in the sugarcane harvest and recovery tasks, food production, and main economic activities. It calls every work center to do whatever is necessary to attain the highest possible results in production and service with the available resources. [end recording]

Journalists Discuss Jose Marti's Role Today

FL3101011695

[FBIS Editorial Report] Havana Radio Rebelde Network in Spanish at 1700 GMT on 27 January carries its "Straight Talk" program with guest Luis Sexto from BOHEMIA magazine and host Juan Carlos Roque Garcia on the present-day role of Jose Marti and his legacy. Sexto states that Marti set the roots for the Cuban national ideology, and its two main pillars, "national independence and social justice." He adds that Marti has to be seen as a living entity, not a dead historic reference. Roque adds that "many things would be much better" if everyone was able to properly internalize Marti.

Sexto states that Marti's example should be followed and that his thought is still shaping "the country's struggle and course." He adds: "Cuba was not left without an ideology—just as Marxism, also a component of our ideology, did not die even though real socialism did perish—because we also have Marti's ideology."

Roque and Sexto go on to discuss Marti's principles on work and its importance for development. Sexto adds that "the key to solve the crisis Cuba is experiencing lies in work; thus the importance of Marti's thoughts today, his fitting and realistic views on work in our society. The republic envisioned by Marti was founded on work. Marti said that work is the only truth and that everyone's freedom has a single root, everyone's work."

Sexto goes on: "Marti envisioned that republic so talked about today, that republic for everyone's welfare, which was not for everyone because in that republic there was no room for dishonest men, or annexionists, or the enemy of the fatherland. This is why I tell you that at times there seem to be many different Martis, because the enemies of the Cuban Revolution, the enemies of our people, the enemies of our country also have a Marti, a Marti which is unfortunately used to name a radio station paid for by the nation that Marti described as the main enemy of Cuba. That is not a valid view of Marti; that is the vision of a dead Marti, the Marti they seek to manipulate from the other side of the Florida Straits."

Sexto goes back to the issue of Marti's views on work. He adds: Marti believed that work was the only source of wealth, as contemplated in our Constitution. Right now work alone will save us." He stresses Marti's role in solving today's subjective problems. Sexto and Roque go on to discuss the importance of internalizing Marti's views on the significance of neighborly love and the power of persuasion. Sexto further stresses the importance of deeply internalizing Marti's example and work to solve today's problems. He adds: "Many people stopped working because they came to believe that they did not need to work, while others pretend to work but do not. Cuba will improve and be saved through the work of its sons."

In emphasizing the importance of implementing change in labor practices, Sexto gives the example of hospital janitors who have an eight-hour shift but only have to clean the floor once, and thus become discouraged. Sexto adds: "We should pay for cleaning the floor, not for being eight hours at work without doing anything." Sexto also notes that "Cuba still needs more rationalization, which is nothing more than the art of adapting."

Roque notes: "Marti extolled dignity, the fatherland, freedom, and decorum. Are these things perhaps not present in our endeavors? Can we afford to leave behind Marti's view and tackle life without his example?"

Sexto adds: "Marti's views materialized in the last 30 years in our country. Our society is shaped by freedom, decorum, and dignity. The Cuban Revolution has endeavored to turn these pillars of Marti's thought into a tangible thing in Cuba. I believe that those same views can help us defend those pillars, preserve those pillars. If we lose those pillars, if we lose freedom, decorum, and dignity, we would be losing all the great human values, because Marti is the leader of human values in Cuba, great spiritual values. Thus the importance of morals, true morals, not just lip service, but the morals we use everyday—to have empathy for another's suffering, to help solve another's problems, to be a living example of decorum, freedom, and dignity."

Roque concludes by quoting Marti: "In the peoples, just as in men, life is sustained by the satisfaction of material needs. To achieve this, one must work. It is basic: one must work."

ANPP Secretary: Election Preparations in Progress

FL3101133495 Havana Radio Progreso Network in Spanish 1200 GMT 31 Jan 95

[From the "First Thing" program]

[FBIS Translated Text] On 30 January in Bayamo, Granma Province, during a meeting with his fellow secretaries from the six eastern provinces and certain municipalities, Ernesto Suarez, secretary of the National Assembly of the People's Government [ANPP] stated that in Cuba we are already working on certain essential tasks preparing for the forthcoming district delegate elections. He said the elections should take place during this year, even though they have not been convened to date.

ANPP Secretary Urges Participation in Government

FL3101210295 Havana Radio Rebelde Network in Spanish 1800 GMT 31 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Ernesto Suarez, secretary general of the National Assembly of the People's Government, met with his counterparts from the six eastern provinces and certain municipalities and discussed his plan to seek the peoples' viewpoints as a way of increasing popular participation in government. Suarez said the measure should be implemented in the provincial and municipal assemblies, so the parliamentary commissions will also continue to hold public hearings on important issues. Suarez criticized the apathy and red tape of the administrative machinery and asked that the people's opinions be recognized and considered in the operation of government organs, including the Peoples Councils. He advocated increasing subscription delegates' authority, who should receive proper attention from the institutions in order to take an active role in resolving the community's problems.

Suarez also said that the link between delegate and constituent is the base of the Cuban political system and should be reinforced. He pointed out that the administrative councils need to organize themselves creatively and realistically. A tendency to act as mediators has been noted, which is the reason they were eliminated from the executive committees of the Peoples Government.

Municipal Council Presidents Meet With Leaders

FL0102031495 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Havana's 102 presidents of municipal councils attended a provincial meeting on 31 January with party and government authorities. The meeting addressed many issues, such as urban agriculture, housing, highways, and every topic related to Havana's community services. The ministers of construction, housing, and hydraulic resources [as heard] held special interventions during the work sessions, as well as the minister of the construction materials industry, and the vice agriculture minister.

Central authorities responded to the concerns of the presidents of Havana's people's councils, stressing the support of the central government in helping Havana solve essential problems such as food supplies, water distribution, housing, and garbage collection, among other important issues in the daily life of over 2 million people living in the city. The results of the debate show a view shared by the participants and those who elected them. There are still many problems to solve, however. Final 1994 results and prospects for 1995 predict better quality of life for everyone.

Raul Castro Visits Central Region Agricultural Units

FL3101151195 Havana Cuba Vision Network in Spanish 0100 GMT 31 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Army General Raul Castro Ruz, Revolutionary Armed Forces minister, visited production units and centers during his tour to Central Army locations in Villa Clara Province. His first stop was at Las Marianas organic orchard.

The old organic orchard, which was no longer in use and covered with marabu weed, has been converted into a growing production center for miscellaneous vegetables. The Marianites—as the people of Santa Clara called these 131 hard-working women—have so far achieved positive results, with an initial production of approximately 30 tonnes of vegetables in just a few months of operation, and in the first plots harvested.

The total area of the Marianites' organic orchard consists of approximately 45,000 square meters, the same area as that of the (Campaito) in Caibarien, which is managed by the well-known Reserve Major Justo Hernandez. Raul Castro pointed out this similarity, and promised to follow closely the production in both organic orchards during the year of the centennial, as well as production results in other outstanding orchards such as Ciudad Libertad, Minfar, and Quinta Avenida, in Havana, Mayari Arriba, Pinares de Mayari, and Guantanamo.

[Begin Raul Castro recording, in progress] ...when there is the will, when there are resolute people, who do not vacillate. There was great support for the Revolution at the beginning; now the support is gigantic. Our strength is enormous, and under the direction of [words indistinct], etc., will become even larger.

There were many people in Cuba who believed that socialism was not the end of the exploitation of man by man, but the liberalization of work. Hence, there was less work done as time went by, and you living in this town know perfectly well the situation. This Yabu Valley [words indistinct] is about to produce 1 million quintales of food. There has been a change for everybody to notice. I am seeing in my tour that it is becoming a garden. It should produce approximately 700,000 quintales of food this year, and 800,000-1 million quintales next year. You have the advantage of being able to take your produce to the city, even in wheelbarrows as you do. [end recording]

Following the spirited dialogue with the enthusiastic and hard-working Marianites, Raul Castro was informed about the food program in Santa Clara—Yabu Valley being one of its pillars, as well as the farm belt surrounding the city. There are essential forces to achieve the goals, such as the Batalla de Santa Clara contingent—with 2,000 men and women, including the female battalion of Las Marianas; the basic cooperative production units, the miscellaneous crops agricultural-livestock cooperatives, and Youth Labor Army [EJT] units.

Raul Castro stopped at one of the EJT camps, and was satisfied with the answers to his questions by Major (Fuentes Cusa), who is an experienced chief with 21 years of service in the EJT, and who had been in charge from the sugarcane fields in Camaguey to the tobacco crops in Pinar del Rio.

[Begin recording] [Raul Castro] Are they improving productivity?

[(Fuentes Cusa)] They are gradually improving. I have called these two or three first months an adaptation process for those new comrades who were not working to form work habits, and for those already working to strive. [end recording]

Major (Fuentes Cusa) stated that they are up to date, having fields planted or ready to plant, cleared of weeds, and with irrigation assured. He added with conviction that his battalion will achieve the year's goals.

Raul Castro Sends Congratulatory Message to Holguin

FL3101201895 Havana Radio Rebelde Network in Spanish 1800 GMT 31 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Army General Raul Castro, minister of the Revolutionary Armed Forces [FAR], sent a congratulatory message to the people of Holguin.

The message corresponds with a recent agreement by delegates of the People's Government Provincial Assembly in Holguin who expressed that, as a basic and strategic line of the war of all the people, no territory, defense zone, or entity will be declared ready for defense in the second stage unless they have completely provided for the population's nutrition, the sugarcane recovery, and the balancing of the finances. This is expressed by reaching [word indistinct] in each municipality, where all workers participate in achieving profitability for their workplaces.

In his message to the people of Holguin, Raul Castro emphasizes that the historic moment in which we live demands sacrifice and great efforts from all the Cuban people to achieve those goals. In another part of the message, he states: All provinces will know of Holguin's efforts as a way to generalize the basic ideas it contains. We salute all the sons and daughters of that heroic province and express our confidence that, as always, you will play an important role in the struggle for the final victory of our cause.

Fidel Castro Praises Construction Workers

FL3101151795 Havana Radio Rebelde Network in Spanish GMT 95

[From the "Doing Radio" program]

[FBIS Translated Excerpt] During the closing ceremony marking Construction Workers Day, Commander in Chief Fidel Castro praised construction workers for their success in conserving cement. [passage omitted]

Relationship Between Civilization, Xenophobia Examined

FL3101204395 Havana Radio Rebelde Network in Spanish 1800 GMT 31 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Sharing our daily bread with a foreigner, sitting him down at the table with our family, and offering him a bed to rest the night was in ancient times a scared obligation. The lives of great travelers, such as Marco Polo, speak of human hospitality and fraternity. However, we should ask ourselves if this hospitality from the past still exists today. We think it does, not because when we speak of hospitality we do not mean renting out a room in our home and being friendly for money. We refer to generous and fraternal hospitality. However, it is true that the affectionate greeting and the willingness to help a foreigner remains, but modern hospitality is governed by laws, bilateral accords, and international conventions; it is very regulated. According to a UN Population Fund study, over 125 million people today live outside their own countries. It could be that they have chosen this as refugees or for economic reasons. Information given in 1994 states that demographic pressure increases from international migration. In Cuba we do not reject foreigners because of a lack of vital space as they do in large cities, especially if they are exiles or economic immigrants. The economic immigration problem always places the non-native at the end of the list. However there are exceptions: There's the example of the Cuban immigrants in the United States who to date have been especially favored, and the treatment received by U.S. citizens living in Mexico. On the contrary, however, any Mexican emigrating to the United States without papers is pursued. Reality generally dictates that any foreigner meets incomprehension and resentment from the society in which he is living. We believe it is not a bad idea to recover certain traditions from the past with regard to hospitality. Money or racial supremacy should never be placed as a barrier between two human beings. We do not think that civilization should be cited as a cause for xenophobia, but rather, civilization should move humanity forward toward tolerance and solidarity among men.

Correspondent Checks Progress at Failed Gas Plant

FL0102030295 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Correspondent Heidi Gonzales Cabrera is at the Mario Fortuni gas plant in Marianao, Havana, where there was a breakdown on 30 January. We wish to check whether the situation has returned to normal.

[Gonzalez] We are in the Mario Fortuni cooking gas plant to find out the consequences of yesterday's failure, which particularly affected the general electric control board, and which stopped gas production. The plant advised that two lines, producing approximately 430,000 cubic meters of gas, were again operating after quick work this morning to reinitiate distribution. It was further announced today at noon that gas service was reestablished. Just a few minutes before we left the Radio Rebelde offices, however, we were still receiving telephone calls from people who were not receiving service.

Currently, there are only security guards at the plant. They cannot add anything to what I just mentioned. We asked them to phone Comrade Dimas Gonzalez, who is the plant's director. The guard called him, but told us that Dimas feels no further explanation is necessary. We believe that perhaps tomorrow the service will be normal, and that Comrade Dimas will reflect on the lack of attention given to the Exclusive program. Good night. [end recording]

Cienfuegos Electric Plant Maintenance Complete

FL0102025395 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Bloc number four of the Cienfuegos electric plant was reinstated to the national electric energy system on 31 January, following first-time extended maintenance work on the boiler and generator, which are of Japanese origin, and have been operating since 1989. The repairs totaled approximately $1.5 million in materials and parts, which were used in the installation of this unit that produces 158 megawatts and is second in efficiency and power in Cuba. The plant is currently in good technical condition: Current is stable, it has low fuel consumption per kilowatt produced, and will therefore improve the national electric energy system.

Cienfuegos is also celebrating the news about its plant being in first place in Cuba, among those producing over 100 megawatts. It has held this position for 14 years in the annual electric union emulation.

Correction to Lage Discusses Visit to Colombia

PA2601182495

The following corrections pertain to the item headlined Lage "Discusses Visit to Colombia, Reorganization," published in the 26 January Latin America DAILY REPORT, pages 8 through 11:

First paragraph, from first sentence, make read: [FBIS Translated Text] In view of the interest created by the topic, PRENSA LATINA will now transmit the complete text of the interview granted to GRANMA by Carlos Lage, vice president of the Council of State and executive secretary of the Cuban Council of Ministers.

These are not isolated measures; they must be seen in their entirety.

Carlos Lage discusses the reorganization of the state's central administrative organs, the changes in the ministers, the economy, and other topics.

By Susana Lee ... (adding introductory material)

Second paragraph, from first sentence, make read: Even though this...(deleting editorial note "[Lee]" throughout)

Make first subhead read: Government Institutions...(deleting "The Reorganization Process Initiated in 27 Central...)

Bahamas

Immigration Official Views Repatriation of Haitians

FL3101161695 Nassau Bahamas Radio Network in English 1230 GMT 31 Jan 95

[FBIS Transcribed Text] [broadcast in progress] ...among the group there was only 12 of over 3,000 persons who signed up for voluntary repatriation. Officials at the Department of Immigration say they will attempt other avenues to get the message across to illegal Haitian nationals. Beverly Pickstock reports:

[Begin recording] [Pickstock] Echoing the disappointment of the minister of public safety and immigration on the low turnout of Haitian volunteers, Director of Immigration Mr. Doswell Coakley says the message of repatriation did not filter throughout the Haitian community because of a language barrier.

[Coakley] In the initiative [words indistinct] in that we understand now that a (?large number of persons) who had been targeted for voluntary repatriation did not understand English.

[Pickstock] The department has redoubled its efforts in an attempt to reach all illegal immigrants in the Bahamas.

[Coakley] The additional [words indistinct] program of education for the [word indistinct] community and the [word indistinct] by both television and radio. And recently we have decided that we can [words indistinct] obtain on a USA radio station, WKEP—which is a French-speaking, Creole-speaking program—with a view of further educating the wider community, principally the Haitian community [words indistinct] as to the government's repatriation program and how we propose to go about it in an orderly fashion.

[Pickstock] The second scheduled repatriation exercise is set for February 10 and, according to Mr. Coakley, the deadline for signing up is February 6. If the quota is not met, there is another alternative.

[Coakley] We are obligated to the principle of the agreement signed. And what we are doing is [words indistinct] our effort to encourage those persons who need assistance to come forth and take advantage of our repatriation exercises. If that fails, of course we will have no other option but to employ the [words indistinct] law.

[Pickstock] Officials state that the government is intent in its resolve to rid the Bahamas of the excessive numbers of illegal immigrants. However, they are appealing to all Haitian immigrants to take advantage of the voluntary registration at the department's headquarters on Hawkins Hill. I'm Beverly Pickstock, ZNS News. [end recording]

Haiti

Sponsors in Paris Promise 'Massive Financial Aid'

FL0102015495 Port-au-Prince Radio Metropole in French 1700 GMT 31 Jan 95

[FBIS Translated Excerpt] The meeting of Haiti's sponsors in Paris has ended, and more than 20 donor countries and multilateral institutions have promised massive financial aid for the reform efforts launched in Haiti by the government of President Aristide. It is said that the donors warmly welcomed the economic and social program of President Aristide's team, led by Prime Minister Smarck Michel. A source close to the group thinks that the total support could reach $800 to $900 million, on the basis of commitments for the next 15 to 18 months, including $600 million in payments during the coming year. The specific amounts of 13 donating countries, including four Latin-American countries and South Korea, and as many multilateral organizations, were still under discussion during the closing session of the group this Tuesday afternoon.

Haitian Prime Minister Smarck Michel, who is leading the Haitian delegation, along with his Economy and Finance Minister Marie-Michelle Rey and Planning and External Cooperation Minister Jean-Marie Cherestal, presented to the donors the new economic program. This plan is focused on assuring the stability of the economy, liberalizing external trade, modernizing the institutional framework to promote growth, creating employment and development of the private sector.

Specific projects have been outlined to improve health services, according to Prime Minister Smarck Michel, projects regarding education and food to assure a minimum of social security to the 70 percent of the population living in conditions of abject poverty. About 72 percent of the population still reside in rural regions. While recalling that the history of Haiti, the independence of which goes back to 1804, was based on the exploitation of the masses by a small economic elite, a high-ranking official pointed out for the foreign media that it is not only a question of reboosting the Haitian economy, but also of restructuring the state and the justice system to reestablish trust in the private sector, including foreign investors. Let us listen to our reporter Kesner Pharel, live from Paris:

[Pharel] It is about 6:04 PM in Paris. The meeting has just ended. The room is empty right now. I am the last person to leave the room. The World Bank just issued a news release called Coordination of Assistance to Haiti and Support for the Government Reform Program. The first meeting of the international community of sponsors since the return of President Aristide in October 1994, was held on 30 and 31 January under the presidency of the World Bank. The Haitian delegation was led by his Excellence Smarck Michel, prime minister; her Excellence Marie-Michele Rey, economy and finance minister; his Excellence Jean Marie Cherestal, planning and cooperation minister; Leslie Voltaire, head of the president's cabinet; Leslie Delatour, governor of the Central Bank; and representatives of the private sector and nongovernmental organizations.

The news release states: The consulting group presided over by (Reiner Staken), director of special operations for the World Bank, Latin American and Caribbean region, assembled more than 20 sponsors and multilateral institutions for the purpose of helping Haiti. The Haitian Government presented the elements of a solid program of economic and social reform. Representatives of the international community warmly congratulated the government for its efforts and announced commitments of up to $900 million to help Haiti implement a policy of urgent reconstruction during the upcoming 12 to 15 months. The participants particularly insisted on the need to coordinate the assistance. The news release continues: At the government's request, some mechanisms to simplify and improve coordination have been approved, including a service for execution of the projects and of the sector-based, informal coordination committees organized by the Haitian Government and its donor partners. The government economic program is aimed at assuring macroeconomic stability and liberalization of trade, and the remaking of administrative rules to favor growth and employment, as well as a favorable environment for the development of the private sector. Specific programs aim for improving health services, education, and food, in view of providing a security device for the 70 percent of the population who live in the most deplorable conditions. The Haitian Government delegation pointed out some of Haiti's prior problems, insisting on the urgency of international health, education, and housing assistance, of reforming the judicial and administrative systems, of assisting in the return of Haitian refugees, protection of the environment, and preventing the birth of an energy crisis.

Previous efforts to help in the reconstruction of Haiti had begun with a meeting between sponsors and representatives of the Haitian Government, held by the World Bank in Paris in August 1994 before the overthrow of the military government. After the installation of the government in November 1994, a commission of experts from various institutions, coordinated by the Inter-American Development Bank, came to Haiti. [passage omitted]

The news release ends as follows: The delegations of the following countries participated in the meeting: Argentina, Belgium, Brazil, Canada, Chile, Korea, Spain, the United States, France, Japan, Mexico, the Netherlands, Switzerland, the Inter-American Development Bank, the European Investment Bank, the European Committee, the International Agricultural Development Bank, the IMF, UNICEF, OPF [expansion unknown], UN High Commission for Refugees, the UN Development Program, the International Organization for Migration, OAS, PANHO, World Food Program, the International Financial Society, and UNESCO. Italy, Sweden, the International Telecommunications Union, and the Organization of Economic Cooperation and Development participated as observers.

It should be noted that a sum of $1.2 billion was announced on a long-term basis. A total of $900 million could be released within 15 to 18 months.

Ex-President Manigat on Plan To 'Regain Power'

FL0102001495 Port-au-Prince Signal FM Radio in French 1130 GMT 30 Jan 95

[FBIS Translated Excerpt] The Haitian tragedy is not a reason for despair; it is even less a question of saving Haiti. This was a statment by the former president of the country, Professor Leslie Manigat, who says he is working to regain power. Convinced of the extreme gravity of the country's situation, Prof. Manigat finds it necessary to work for the highest good for the greatest number. He believes this objective can be reached only in a real climate of solidarity among all the country's sons. We will not be helped so long as we are not serious and so long as we do not have serious options, says the former president, taking the opposite view of those who react negatively to the true willingness of a certain international community to help Haiti climb out of its abyss. Let us listen to Prof. Manigat:

[Begin recording] Let us say that as far as I am concerned, the trip was excellent regarding the contacts I established with our regional branches in view of the deadlines that await us in Haitian political life. We had a certain number of meetings on the steps to take, and an assessment had to be made of our 15 years of existence [of the Assembly of Progressive National Democrats, RDNP]. We had to do it whether it was positive or negative, insofar as there are always negative points in a partisan struggle, especially since the overthrow. A statement must be made on the prospect of regaining power, which is quite natural. We also analyzed the current situation, in view of the difficulties that await us on the electoral path, difficulties we must face, must overcome to win. That is the life of a political party, speaking in a clear-minded manner. [passage omitted]

I have come back with the firm feeling that if we know how to put order in our house, if we know how to show that there is a democratic, progressive alternative, we will have the support of what I call the authentically progressive sector of the international community—not the bluffing sector, not the sector that wants to organize its own affairs through Haiti, that wants to use Haiti to settle its own problems—no, no, but rather, the sector that believes Haiti has a problem and that Haitians must be helped in solving this problem. I believe we can rely on that sector so long as we have become serious people [last four words in Creole]. We must put order in our house. No one will help us if we are not serious because one helps chaos, no one helps disorder. They take advantage of disorder, take advantage of chaos, but the serious, deep aid that we need... [pauses] If we have a solid, serious, democratic, honest alternative, this team will find the external solidarity aid, and with that, there is a way to save this country because—put your mind at ease—the Haitian tragedy is not a cause for despair; no, no, no, absolutely not, there is a way out of it, and we will get the country out of this situation. That is my conviction. [end recording]

Prof. Manigat was answering Signal's questions on 29 January at the Mais Gate Airport as he returned from a trip abroad, during which he met with the RDNP regional branch.

Aristide Inaugurates Cite Soleil Reconstruction Project

FL3101234395 Port-au-Prince Signal FM Radio in French 1131 GMT 31 Jan 95

[FBIS Translated Excerpt] President Jean-Bertrand Aristide reaffirmed reconciliation and condemned violence during the inauguration of the reconstruction of a neighborhood in Cite Soleil, the Haitian capital's main shantytown. A total of 200 houses were set on fire on 27 December 1993 during reprisals by the Revolutionary Front for the Promotion and Progress of Haiti [FRAPH], the neo-Duvalierist party close to the former Haitian military officials. [passage omitted]

During this ceremony, the president of the Republic entrusted a check of 1.8 million gourdes to the parish priest of Cite Soleil, Father Arthur Volel, to be used to help the fire victims. He also announced that the Ministry of Finance [and Economy] deposited in a bank account an amount of 2.5 million gourdes to begin the reconstruction work. The president said that the restoration of democracy has given rise to a climate of social and economic development, especially of benefit to the deprived strata of the country, to which he received an ovation from the significant crowd.

The criminal fire in Cite Soleil was provoked, according to victims of the blaze, by members of the Duvalierist organization FRAPH following the assassination of one of their members. The fire caused the deaths of over 30 people and the destruction of more than 100 housing units. Let us listen to President Jean-Bertrand Aristide.

[Begin Aristide recording, in Creole, in progress] ...a small check for 2.5 million gourdes, which the Ministry of Finance and Economy deposited in the bank account of FASIK [not further identified] so it can begin the project, and with a check for 1.8 million gourdes that I am going to deliver to Father Volel, as part of the project to rebuild the houses. As I say, this is an insignificant amount because it is only the beginning. The bulk of it is yet to come. This is the beginning of democracy, the bulk of which is yet to come. When the bulk of democracy comes, it will bring houses, not only to you in Cite Soleil, but to everybody in Haiti. It will bring houses to everybody in Haiti. When the bulk of democracy comes, it will bring work to almost everyone in Haiti. When the bulk of democracy comes, it must bring food to everyone, without distinction, in Haiti. What you are seeing today in Soleil 17 is only the beginning of democracy. Where is the bulk? [crowd answers: after!] Where is the bulk? [crowd answers: after!] Will the bulk come? [crowd answers: yes] What will it bring when it comes? It will bring houses to...? [crowd answers: everybody] ...to everybody. It will bring food to...? [crowd answers: everybody] It will bring work to...? [crowd answers: everybody] I have not yet heard your voices. I have not yet heard your voices. [repeats himself] I have not yet heard your voices. Where is the bulk of democracy? Before or after? [crowd answers: After] When the bulk of democracy comes, it will bring houses to...? [crowd answers: to all of us] [end recording]

Zedillo Announces U.S. Aid Package

PA0102050095 Mexico City Canal 13 Television Azteca Network in Spanish 0330 GMT 1 Feb 95

[Message by President Ernesto Zedillo from Los Pinos presidential residence on 31 January; from the "Facts" newscast—recorded]

[FBIS Translated Text] Ladies and Gentlemen: To solve the problems that caused the devaluation of our currency in the final days of 1994, the government and people have been applying with great discipline a program to overcome the economic emergency. All sectors of the country have contributed with an exemplary willingness to fulfill the program objectives. Despite our efforts, instability has persisted in the foreign exchange and financial markets. This situation became acute over the past weeks. This was because since 1994, the foreign investors who had invested in financial instruments issued by public and private institutions in Mexico lost confidence in the short-term prospects for our economy, especially in view of the political violence in our country. The risk of a withdrawal of short-term funds throughout 1995 prompted a liquidity problem, which is why the level of exchange is not at the place foreseen by the economic program.

In light of that situation, and utilizing the powers given to me by the Constitution of the republic, I initiated direct efforts with U.S. President William Clinton to obtain financial support to ensure that our economy will meet its external obligations and, at the same time, allow us to definitively remove the severe threats to our financial and productive systems. By virtue of the consequences that not facing these circumstances in a timely and decisive manner would entail, not only for our economy but for the economy of many other countries, including that of the United States, the U.S. President assumed from the very first moment an attitude of committed and responsible solidarity.

Responding to the urgency and to the regional and global nature of this problem, this morning U.S. President William Clinton decided to use his country's Foreign Exchange Stabilization Fund to grant Mexico a line of credit up to $20 billion. Also, the director of the IMF has expressed his intention to extend an IMF credit up to $1.759 billion. At the same time, the Bank for International Settlements is studying the possibility of doubling the credit granted to Mexico from $5 billion to $10 billion.

Once these operations are established, along with the anticipated credit from the international commercial banking sector, Mexico will have credit lines worth approximately $51 billion to ensure the stabilization of its foreign exchange and financial markets.

It is important to stress that the use of these credit lines will not mean an increase of the country's debt. In this case, they will be used to convert what is currently a short-term, high-cost debt into a long-term debt with a lower cost for our country.

It is important to understand that the mechanism used by the U.S. President represents a more direct route to obtain financial support than the loan guarantee package being considered up until yesterday. We also must underline that these are strictly financial operations and will not endanger our country's sovereignty in any way. Furthermore, the package announced today is not foreign aid and will not burden U.S. taxpayers. The financial package represents timely and effective support for our country's enormous efforts to overcome the economic emergency and to follow the path toward economic growth with stability as soon as possible.

The financial package is a recognition of our country's solid economic foundations. The Mexican economy now has the structural strength that it did not have before. This strength is the result of the efforts made by all Mexicans for many years. This strength will now allow us to better confront the effects of our currency's devaluation. This strength will allow us to retake the firm and sustained growth that Mexico requires to overcome its deficiencies.

The securing of this financial package does not imply that we will relax our own efforts. Today more than ever, Mexicans know that our discipline, work, savings, and perseverance are the best means to see through the task of overcoming the current crisis and to forge the development we desire.

We are clearly aware that we must maintain our economic policy, which is based on fiscal and monetary discipline, on promoting structural changes to the strengthen the productive capacity and competitiveness of our economy, on encouraging private and national investment as engines of growth, and on our integration with the world economy. The financial package announced this morning means that the problem of liquidity in Mexico's economy will be completely overcome.

To President Clinton, I would like to express my most sincere recognition for this solidarity and the total respect it displays for the people and the government of Mexico. I reaffirm to all Mexicans that my administration will continue to abide by the Constitution and respect national sovereignty in its decisions and in the measures it takes to confront the economic crisis. Although these measures entail a major sacrifice right now, in the long run they will prove to carry the lowest social costs possible and promote a recovery as soon as possible.

Good Afternoon, and many thanks.

Finance Secretariat Communique on U.S. Credit

PA3101184195 Mexico City NOTIMEX in Spanish 1716 GMT 31 Jan 95

[FBIS Translated Text] Mexico City, 31 Jan (NOTIMEX)—Today, Mexico announced an increase, up to $50.759 million, in lines of credit to stabilize its economy, thus making the request to the U.S. Congress for a credit package unnecessary.

In a communique, the Finance Secretariat announced the increase in the package was a result of an extension in the line of credit granted by the United States, from $9 billion to $20 billion. This represented an increase of $11 billion over the original amount of $9 billion offered by the U.S. Government as credit to support President Ernesto Zedillo's economic emergency program.

Likewise, the deadline for this aid changed from three to six months to a scheme of three to 10 years; thus, those resources will be available to replace the short-term debt.

The same communique reported the IMF has agreed to increase the amount of resources related to a contingency credit requested by Mexico to $17.579 billion, a $10-billion increase.

Moreover, the Bank for International Payments is analyzing the possibility of doubling the $5-billion credit originally offered to Mexico to $10 billion.

In sum, Mexico will have $50.759 billion in lines of credit, which include $3 billion from the international commercial banks' package.

The announcement stated Mexico considers the creation of the new financial package aptly fulfills the role of stabilizing financial markets, and it will allow the country to have immediate resources to solve its liquidity problem in a short term.

"Therefore, the guarantee plan proposed by the U.S. Government will not be necessary, and a decision was adopted not to continue with the mechanism," given its complex nature, the communique added.

The document was issued after President William Clinton announced on Tuesday he will extend a $47.5-billion financial package to Mexico through an executive decree that will not require the approval of the U.S. Congress.

The package would be comprised of $20 billion from the U.S. Stabilization Fund, $17.5 billion from the IMF, and a $10-billion short-term loan from the International Settlements Bank.

Clinton said it involves a much larger sum than the package originally proposed and being debated by Congress, and it will be granted with the support of the United States' commercial partners.

Finance Secretary Rules Out Moratorium on Debt

PA0102014295 Mexico City Radio ACIR Network in Spanish 0000 GMT 1 Feb 95

[Report by Alma Rosa Baez; from the "Evening News Panorama" newscast]

[FBIS Translated Text] We are at the Pan-American Room at the National Palace where, as was reported a few minutes ago, Finance Secretary Dr. Guillermo Ortiz Martinez has just explained the credit assistance that was given to our country by several international financial organizations.

In summary, he said Mexico will receive a line of credit worth $50.759 billion. This includes credits granted by the North American Financial Agreement, the IMF, the Bank for International Settlements, and $3 billion granted by the international commercial banking sector.

Guillermo Ortiz Martinez explained that this aid will not increase the debt our country already has with these financial institutions. Ortiz Martinez clearly explained that the U.S. conditions for granting guarantees to Mexico were that it comply with its own economic program—in other words, the program to overcome the economic emergency that was announced by President Ernesto Zedillo.

Let us listen to an excerpt of Ortiz Martinez's statements:

[Begin Ortiz recording] This package will help us solve the liquidity problem. We are in full agreement that this package is not designed to reestablish economic growth, except in the measure that it helps us resolve the liquidity problem. [end recording]

Regarding Tesobonos [treasury bonds] currently in circulation, Guillermo Ortiz Martinez said they are estimated at $23.5 billion, because they amounted to $29 billion in December and should drop to $13 billion or $14 billion. He added that the Tesobonos are currently held by foreigners and that they will attempt to either convert them into new instruments to ensure that this capital remains in our country, or to get the Mexican Government to repurchase them. The government is already implementing a repurchase program for tesobonos.

In terms of petroleum, Guillermo Ortiz reiterated what he said earlier at a recent news conference. He said this is a collection measure by Pemex [Mexican Petroleum]. We should recall that there has been a great deal of discussion of whether or not oil should be used as a guarantee. Guillermo Ortiz Martinez said no. He said Pemex will employ the system it has used on previous occasions over the past 12 years. Under this system, various clients make an advance payment to Mexico, and when the petroleum products are finally obtained, Mexico returns the money. Guillermo Ortiz Martinez also said either tomorrow or the day after, the Bank of Mexico will announce the country's international reserves.

Asked whether Mexico will announce a moratorium on its debts, Guillermo Ortiz Martinez said the Mexican Government has never considered this option, because it has always paid its debts. Its international credit has always been respected. Mexico has never resorted to this option and will not do so now.

In the end, this is what Guillermo Ortiz Martinez has just commented on.

Congress Members React to U.S. Credit Line

PA0102031395 Mexico City Radio ACIR Network in Spanish 0000 GMT 1 Feb 95

[Report by Juan Carlos Santoyo; from the "Evening News Panorama" newscast]

[FBIS Translated Text] The initial reaction at the Mexican Congress was one of uncertainty. Most deputies and senators pointed out that the credit granted to our country by President Clinton is not linked to any political conditions and, therefore, will allow Mexico to resolve its financial crisis without entering an unnerving confrontation with the U.S. Congress. It was also observed that a special session is no longer necessary, because there are no conditions. This was stated by Carlos Sales Gutierrez, the Senate's Commerce Commission president, who said the following:

[Begin recording] [Unidentified reporter, in progress] ...in small increments. First 20,000 and then 10,000, and so on.

[Sales Gutierrez] It is not coming in increments. It is from various sources. However, it is all coming from very solid sources and, I hope, without conditions. At a session of Congress tomorrow, we will certainly discuss these credits and will determine whether it is necessary to call a special session. I believe, based on the sketchy information in the media, this will not be necessary, because apparently no political conditions are attached. [end recording]

Humberto Roque Villanueva, the head of the Chamber of Deputies, said the U.S. President's decision came at a good time because it will enable our country to confront this severe crisis—the worst crisis in the past 15 years.

[Begin Roque Villanueva recording] This is very difficult to determine. You all know that economics is a science that is very fuzzy. Evidently, however, it came at the right time. I believe the response was opportune, and we hope to see very positive results in the financial sector. [end recording]

Fernando Solana Morales, the president of the Senate Foreign Affairs Commission, admitted that the decision made by the U.S. President had rescued our country from many problems, especially a confrontation with the U.S. Senate.

The parliamentary caucus of the Party of the Democratic Revolution [PRD] indicated that the aid will enable the Mexican people and government to confront the economic crisis in the short term, but added that it is necessary to reorganize the Mexican economy, which requires profound changes, for this support to be real and effective. The PRD faction also said that although the government of Bill Clinton has so far not imposed any irregular or political conditions on our country, it is necessary to call a special session to allow Congress to study the package and determine whether it is beneficial, because the IMF is imposing conditions that are still very unclear.

Meanwhile, the parliamentary bloc of the National Action Party, PAN, pointed out at the Chamber of Deputies that the U.S. financial support for Mexico will foster trust and certainty among various economic sectors, and, therefore, it will help stabilize the critical situation the country now faces.

The PAN members, however, pointed out that they will ask Finance Secretary Guillermo Ortiz Martinez to provide the necessary information to allow them to evaluate the conditions under which this agreement offering support and financial guarantees is signed, because a lot of things still need to be clarified.

The two opposition parliamentarian blocs also demanded that the government of President Ernesto Zedillo Ponce de Leon use as little of these economic resources as possible.

[Unidentified station announcer] Apparently, Juan Carlos, the Mexican legislators are right, because there are no political conditions, as far as we have learned, based on information we have received from Washington. It has been emphasized, however, that there was some discussion of the drug issue; in other words, Mexico will have to increase its counternarcotics operations. Second there was talk about the immigration issue; here, Mexico will have to make greater efforts to curtail the wave of immigrants to the United States. Third, there was a discussion about the Mexican Government's strict respect for the law to ensure there is no impunity in Mexico regarding what is happening in the United States. [sentence as heard]

Here, in fact, we already have three conditions. In addition, petroleum export revenues could stand as a guarantee for the $20 billion the United States is offering, and this does not take into account demands from members of the international community through the IMF and the Inter-American Loans Bank [as heard].

[Santoyo] That is correct. I think what is important—and this is what the legislators will wait for—is to have a formal document, because there will certainly be a formal signing of all of these financial support agreements. Most legislators point out that they must first wait for this document and then determine whether there is the possibility or need to summon a special session of Congress. I, however, believe that on 1 February, as soon as these issues start being discussed, debate at the Standing Commission of the Congress of the Union will be very difficult, because there is not much information, and the opposition will undoubtedly demand the holding of a special session to allow this legislative body to review this loan.

Various Sectors Welcome Announcement

PA0102004395 Mexico City NOTIMEX in Spanish 2250 GMT 31 Jan 95

[FBIS Translated Text] Mexico City, 31 Jan (NOTIMEX)—Several sectors in the country have commented on the $50.759 billion line of credit for Mexico, which was announced by U.S. President William Clinton, calling it very favorable for the country.

Mario de los Angeles Moreno Uriegas, the national president of the Institutional Revolutionary Party, highlighted that this financial aid is the result of the Mexican Government's efforts to bolster the economic stabilization process.

Jesus Bonilla Robles, the leader of the National Confederation of Rural Proprietors, said the U.S. financial aid package for Mexico "will allow the national economy to be propped up and will reduce costs."

Business Coordinating Council President Eduardo Garcia Moreno said the credit support was unavoidable, because "our economy is closely linked to U.S. economic groups."

President Clinton today announced a line of credit worth $47.5 billion for Mexico, of which the United States will contribute $20 billion from its stabilization fund.

The credit also will include $17.5 billion from the IMF and a short-term $10 billion loan from the Bank for International Settlements.

Saul Escobar, secretary of the Chamber of Deputies Finance Commission, and Cecilia Romero, the deputy coordinator of the opposition National Action Party, called for new special congressional sessions to study the financial support package. Escobar argued that it would be a mistake for bonds to be issued based on this support, because this would favor speculation, and he also contended that the new financial package could "imply other conditions."

The political parties and productive sectors in the northern city of Hermosillo agreed that the credit given to Mexico "will afford the country more tranquillity."

Ramiro Saenz Trevino, the local president of the National Association of Manufacturers, underscored that the financial support has a psychological effect among the productive sectors in Mexico.

"We can now anticipate that the country will really start to recover in February," he asserted.

Carlos Lopez Canedo, the president of the Assembly Plant Association in San Luis Rio Colorado, said this economic initiative will give the foreign investors the necessary confidence to handle their capital in Mexico.

Carlos Tirado Montero, the president of the State Business Coordinating Councils in Ensenada, said the international credits are the first step down the road toward the country's economic stabilization.

"This benefit will go directly to Mexico's border region, the region that has been hurt most by foreign exchange fluctuations, which are now expected to stabilize in the coming weeks," he stated.

Hector Jimenez Marquez, the president of the state Congress in La Paz, Baja California, said the country needed the loan to surmount its financial situation.

Miguel Angel Gutierrez, the president of the Business Center in Culiacan, Sinaloa, pointed out that the credit will generate confidence in the investment plans and programs.

Alejandro Villarreal Garcia, the local Inverlat Bank manager in Piedras Negras, Coahuila, said the financial aid is favorable for Mexico and will help the country recover.

Ernesto Garcia Marin, the president of the National Association of Manufacturers in Tamaulipas, said the financial aid was encouraging, because "it opens possibilities for the country to get out of its economic crisis."

Leaders of sectors in the southern part of the country said President Clinton's announcement will generate the confidence needed to attract more foreign investments.

Jose Luis Flores, the State Finance Secretary in Puebla, said the credit gives guarantees and confidence to foreign investors who were simply waiting for the United States to make this decision.

Bautista Lobato Serna, the leader of the Employers Confederation of the Mexican Republic in Guerrero, commented that the decision "opens a door to confidence" to surmount our liquidity problems, because the country must overcome the crisis in the short-term and revaluate its currency against the U.S. currency.

Stocks Rebound After Announcement of Aid

PA0102001395 Mexico City NOTIMEX in Spanish 2233 GMT 31 Jan 95

[FBIS Translated Text] Mexico City, 31 Jan (NOTIMEX)—The primary index of the Mexican Stock Exchange today registered its most significant increase in the past eight years as it rose 195.08 points, registering a 10.27-percent increase over Monday's closing figures. The index closed today's session at 2,093.98 points.

This increase in the Prices and Quotations Index (IPC) began after the Mexican Government's announcement of the extension of credit lines for up to $50.759 billion granted by the U.S. Government and international organizations.

This is the largest proportional increase in the IPC since 6 January 1987, when it increased 9.83-percent increase. [sentence as received]

Market analysts said today's increase was promoted by the economic aid announcement by the United States and the international community, which prevented the collapse of local financial markets.

Bank of Mexico Decides Not To Auction Off Tesobonos

PA3101232195 Mexico City NOTIMEX in Spanish 2056 GMT 31 Jan 95

[FBIS Translated Text] Mexico City, 31 Jan (NOTIMEX)—The Bank of Mexico decided today not to auction off any of the $300 million in Tesobonos [Treasury bonds] it had announced because investors were asking for very high interests rates.

Money market analysts told NOTIMEX that the Central Bank made a good decision in not auctioning off Tesobonos today because it was impossible to pay the up to 40 percent interest that investors were asking in order to buy them.

They emphasized that markets have begun to stabilize since the international community announced $50.759 billion in financial aid to Mexico, thus "there is no reason to pay such high interest rates."

In view of the possibility that the Bank of Mexico might auction off $300 million on the secondary money market, where securities are negotiated the same day, analysts said the bank will wait until next week to go on the market.

They added that the "market is too messy right now and the prudent thing to do is wait until next Tuesday" to auction off bonds of the Federation's Treasury (Tesobonos), which will post significant decreases in yield.

As for the $1.1 billion in Tesobonos, which will mature next Thursday, the analysts pointed out that "expectations will completely change" once the line of credit is granted to Mexico, thus there is a high probability that Tesobono holders will. [sentence as received].

In announcing the auction, the Central Bank had offered $125 million in Tesobonos with a 91-day term, $100 million with an 182-day term, and $75 million with a 364-day term.

Bank Sends Document to Executive, To Reduce Credit

PA3101143295 Mexico City XEW Television Network in Spanish 0430 GMT 31 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The National Bank of Mexico [Banamex] sent a document to the executive branch and Congress today. Part one of the document contains an analysis of the Mexican economy in 1994, and part two offers an explanation of its policy for 1995.

Banamex announced it will reduce its domestic credit from $12 billion new pesos to $10 million new pesos in 1995, as a result of the expected evolution of the currency rate of circulation. Banamex affirms this program for domestic credits has been formulated on the premise that the regulation of the floating exchange rate will continue.

Banamex stated it will report each month in 1995 on the evolution of the primary credit as well as on the net flow of the financing it receives.

Cardenas Denounces 'Servile Tendencies' in PRD

PA0102002695 Mexico City LA JORNADA in Spanish 30 Jan 95 p 6

[Report by Rene Alberto Lopez and Roberto Garduno Espinosa]

[FBIS Translated Text] Villahermosa, Tabasco, 29 Jan—In an unusual public statement, former presidential candidate Cuauhtemoc Cardenas Solorzano said there is evidence of the emergence within the PRD [Party of the Democratic Revolution] of "servile tendencies which advocate joining the government" to cede "basic issues like satellite communications and national railroads."

Moreover, he announced an alliance will be created with other political groups on 5 February in Queretaro to "seek quicker electoral victories"; and he issued an appeal to participate in the 12 February plebiscite to learn the citizens' opinion "on whether we should receive $40 million from the United States."

Meanwhile, national PRD leader Porfirio Munoz Ledo said the party will not talk with Ernesto Zedillo's administration "until justice prevails in Tabasco." The pledge must be fulfilled, he said, because one of the clauses in the pact was the solution of postelectoral problems.

Cardenas and Munoz Ledo, as well as PRD federal deputies and senators, led a rally here to support PRD leader Andres Manuel Lopez Obrador and to insist on the ouster of "spurious" Governor Roberto Madrazo Pintado and the organization of new elections.

Cuauhtemoc Cardenas discussed the issue of "the struggle for national sovereignty in his address to the crowd, which filled La Ciudad Deportiva esplanade.

He said the government of the republic is desperately seeking financial support from the United States to "strengthen a repressive policy of the state party regime and thus be able to maintain spurious governments like the one they want to impose on the people of Tabasco."

He explained that the U.S. Government wants to lend Mexico $40 billion in order to protect its speculative interests. He also criticized the presidential initiative to reform Article 28 of the Constitution "so important sectors of our communication, such as satellite communication and railroads, are no longer deemed strategic."

The former presidential candidate publicly recognized his party's deputies and senators, "who unreservedly defend our sovereignty, the Mexican people's rights, and the national values.

He said: "Our deputies have spoken out against the servile tendencies prevalent in the PAN [National Action Party] and the government, which walk hand in hand in this surrender of our country's sovereignty and autonomous decisionmaking power."

Nevertheless, he also criticized the attitudes adopted by other PRD legislators when he asserted before thousands of fellow party members: "This square must also recognize the fact that servile tendencies and currents are beginning to emerge within our party. They want to join the government and yield on fundamental issues like satellite communication and the railroads.

He mentioned the coincidence in votes—along with the PAN and PRI—for "Senator (Cristobal) Arias in Michoacan and Senator (Ernesto) Navarro in Nayarit. Let us note that well, comrades."

To conclude his address, Cardenas reported the "forced march" organization of a plebiscite for 12 February so citizens throughout the country can express—in ballot boxes installed in squares, communities, and municipalities—their opinion concerning the government's economic policy, so it may be revealed to Mexico and the world.

Later Munoz Ledo reviewed the errors of the federal government's economic policy. He referred to the "dismantlement" of the industrial plant, the new debt, and the government's commitments abroad. He criticized "the government programs of adjustments that affect the people and the antidemocratic insults."

Referring to the postelectoral conflict in Tabasco, he countered Tabasco businessmen and PRI [Institutional Revolutionary Party] leaders who demand respect for the federal pact.

"Those who claim we want to violate the federal pact while they defend their illegally acquired posts are lying. Nothing could be further from the truth. The federal pact is ruled by the Constitution, and it is based on a democratic, representative regime of respect for the sovereignty."

He added: "Those at whom the center has traditionally pointed its finger must not mistake federalism for feudalism. They must not mistake federalism for a series of baronies or counties in which they can act based on submission, outside the law, and following the laws of the jungle. They must not threaten the emancipation of Tabasco; that would amount to nothing but an anachronism." Munoz Ledo warned the Zedillo administration about the implications of the National Political Agreement when he said the PRD National Executive Committee and its national Council unanimously support the plight of the people of Tabasco.

He made it clear that they would be begin general talks or talks focused on democratic change with the government unless there is justice in Tabasco.

"One must keep one's word. Precisely. One of the clauses agreed upon calls for a just and lawful solution to the postelectoral problems."

He later said the PRD wants peace and reconciliation in Tabasco, "but not the peace found in the cemeteries or based on submission. We do not want false reconciliation, either."

Argentina

Di Tella Urges Peru, Ecuador To Opt for Diplomacy

PY0102023195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0110 GMT 1 Feb 95

[FBIS Translated Text] Buenos Aires 31 Jan (NA)—Foreign Minister Guido Di Tella went to Congress this evening to brief the Justicialist Party [PJ] bloc in the Chamber of Deputies about the steps taken by the Argentine Government to find a settlement for the armed conflict between Ecuador and Peru.

To that effect, Di Tella pointed out that the deputy foreign ministers of the four guarantor countries to the 1942 Protocol held a meeting in Rio de Janeiro today to draft a peace proposal that will be submitted tomorrow to the Peruvian and Ecuadoran delegations.

The declaration signed by the representatives from Argentina, Brazil, Chile, and the United States summons both feuding parties to negotiate an immediate cease-fire and accept the presence in the region of a group of civilian and military observers.

The foreign minister explained to PJ lawmakers that, in the aforementioned document, the guarantors commit themselves to devising a mechanism that will enable the settlement of the border differences that sparked the armed conflict.

The guarantors' proposal will be submitted on 1 February, once the representatives from the warring nations arrive in Rio de Janeiro.

Di Tella stated that in the event these suggestions are rejected, it would be possible to have recourse to the UN Security Council or the OAS, although, according to his remarks, Peru has so far rejected both organizations' intervention.

Di Tella asserted that the presidents of guarantor countries are also striving to find a solution to the conflict. To that effect, he pointed out that over the last few hours Argentine President Carlos Menem had telephoned his Ecuadoran and Peruvian counterparts, Sixto Duran-Ballen and Alberto Fujimori, respectively.

Shortly after 2000 local time, the foreign minister arrived at the Congress annex, where some 30 PJ deputies were awaiting him.

Following the briefing session, Di Tella issued a communique urging the Peruvian and Ecuadoran governments to settle their dispute by diplomatic means and warned that a war between sister nations "only serves to deepen old wounds that Latin America must once and for all try to heal without bleeding to death."

PJ deputies pledged to help the feuding nations to find a peaceful settlement "by making endeavors at the appropriate international forums and in diplomatic circles."

Moreover, they deemed that Congress was "an environment for democratic and popular participation par excellence." They, therefore, called upon the Peruvian and Ecuardoran congresses to "spare no efforts, each within its respective country, to foster a speedy solution to the conflict."

Menem Addresses Economic Forum, Views Mexican Crisis

PY3101154995 Buenos Aires TELAM in Spanish 1918 GMT 29 Jan 95

[Report by TELAM special correspondent Ricardo Sarmiento]

[FBIS Translated Text] Davos, Switzerland, 29 Jan (TELAM)—During a speech in Davos on 29 January, President Carlos Menem asserted that there is no going back on the changes in Argentina, adding that citizens do not question the economic model and that political parties have agreed to guarantee the country's stability.

The Argentine head of state asserted that "there is no going back on the changes we effected in Argentina, not because the ruling party made them, but because society demands them."

In addressing the World Economic Forum, Menem said that "all political parties have agreed to guarantee stability, the opening drive, and efficiency," which drew applause from some 200 bankers and businessmen.

In the course of his speech, which lasted about 15 minutes, Menem stated: "Within this framework my country has espoused the causes of democracy and economy freedom. The citizens do not question the model although they wonder about certain facets of its operation."

Menem began his address by stating that the shock wave caused by the Mexican crisis "shows that Argentine stability has held up and that the parity between the Argentine peso and the dollar, which has been in force since the enactment of the Convertibility Act, was never at risk."

He recalled that the soundness of the Argentine peso "follows the elimination of the possibility of financing a government deficit by printing money, thus ending speculation on the exchange market."

He added: "This turbulence confirms the soundness of our currency. It should also be stated that we took timely decisions that enabled us to withstand the pressure exerted by markets."

The underpinning fact was, according to the head of state, "the structural solidity of our model" and "the upswing in our economy," whose growth rate "is among the highest in the world."

Menem stressed that there is "trust at home and abroad in the sustainability of our economic model, which is based on structural reforms, deregulation, the strengthening of markets, fiscal discipline, and inflation running at international levels—3.9 percent in 1994."

He highlighted the "significant increase in productivity, which shows that the private sector undertook a structural adjustment concurrent with that made by the public sector."

The Argentine president cited "the fiscal curbs that include additional restrictions of 1 billion pesos in this year's budget" as one of the ways to safeguard the financial system.

The chief of state said: "We are expanding the privatization program, seeking to convert the debt into shares of the enterprises to be privatized, and to implement a bank security network."

Menem admitted that one of the "perverse" effects of the Mexican crisis is "the increased financial cost on dynamic economies like Argentina's, but the harm will end there."

He stressed that "regarding the volume of its economy and despite efforts made in the fiscal sector and the increase in exports, the higher financial costs are manageable."

"We believe that the quick recovery of the Mexican economy will benefit other Latin American economies," Menem said, recalling that Argentina, Brazil, Chile, and Colombia will jointly contribute 1 billion pesos to help in the stabilization of Mexico's financial system.

Menem stated that Mercosur [Common Market of the South] "has begun to bear fruit," adding that between 1991 and 1994, "more than 200 joint Argentine-Brazilian private undertakings were registered."

He said: "Mercosur is made up of democratic countries and the legitimacy of their governments grants greater credibility to the stability of their policies."

Menem recalled: "We are now negotiating the incorporation of some neighboring South American countries into Mercosur."

He said: "The negotiation of an inter-regional agreement will begin this year" between Mercosur and the EU, adding: "We want to create a free trade zone" with NAFTA within our hemisphere.

Menem said Argentina's insertion into the world "includes the initiative of the White Helmets, which has been approved by the United Nations, and the participation of our Armed Forces in peace- keeping operations."

The president, who improvised the last passage of his address, invited the bankers and businessmen who attended the Davos Forum to "visit Argentina and Mercosur: You will then see we are growing in freedom and with full respect for human rights."

Prices Plummet on Buenos Aires Stock Market

PY3101141595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2022 GMT 30 Jan 95

[FBIS Translated Excerpt] Buenos Aires, 30 Jan (NA)—The stock market today plummeted 6.14 percent according to the Merval index. The index shows 39 shares dropped and not one increased.

The general index dropped by 4.79 percent and the Merval indicator closed at 406.27 points.

The volume of shares traded were worth nearly 15.4 million pesos, which is another indication of the strong exit of capital from all Latin American markets.

The caution by foreign investors following the Mexican crisis at the end of last year has deepened with the Peruvian-Ecuadoran border conflict.

The worst hit shares were financial institutions, which reflect public bonds ups and downs. [passage omitted]

Brazil

Minister: U.S. Aid to Mexico 'Highly Positive'

PY0102002895 Sao Paulo AGENCIA ESTADO in Portuguese 2349 GMT 31 Jan 95

[FBIS Translated Text] Brasilia, 31 Jan (AE)—Planning Minister Jose Serra today stated that the official confirmation of the U.S. aid to Mexico "is highly positive because it will prevent an aggravation of the crisis, which could have negative consequences for Latin America." Serra considered the U.S. aid to be substantive. He made it clear, however, that this is not a donation, but a loan backed by collateral, namely, the Mexican oil deposits.

Commenting on the Brazilian aid to Mexico, Serra stated that nothing has yet been finalized. The idea is to have Brazil and other Latin American countries raise $1 billion. Thus far, he said, no agreement has been reached as to what share of this total Brazil should contribute.

Serra said that the U.S. loan and the Latin American loan will contribute to normalizing the financial situation in the region. Serra said: "This will have positive consequences even for Brazil, despite the differences existing between the Mexican and Brazilian economies."

U.S. Loan to Mexico May 'Influence' Senate Decision

PY0102070095 Sao Paulo AGENCIA ESTADO in Portuguese 2149 GMT 31 Jan 95

[Report by Joao Domingos]

[FBIS Translated Text] Brasilia, 31 Jan (AE)—The $47.5 billion [figure as received] loan granted by the U.S. Government to Mexico could also influence the Brazilian Senate in authorizing a Brazilian loan to Mexico. Senator Jader Barbalho of Paraiba, the PMDB [Brazilian

Democratic Party Movement] bloc leader in the Senate, said that he will encourage the 21 members of the PMDB bloc to approve the loan. He said: "I believe we must help Mexico because its financial crisis is a threat to Brazil."

Senator Arthur da Tavola (PSDB-RJ) [Brazilian Social Democracy Party-Rio de Janeiro] also believes that the U.S. action will influence the Brazilian Senate in approving the loan. Da Tavola said: "It will not be a nonrefundable loan, but a loan backed by U.S. funds that will be repaid in full." Senator Epitacio Cafeteira (PPR-MA) [Progressive Renewal Party-Maranhao] announced that he will vote against the Brazilian loan. He said: "Despite our duty of showing solidarity with the Mexican people, I believe that Brazil needs this money much more than Mexico."

Senator Jose Sarney (PMDB-Amapa), who was just elected president of the Senate, does not believe the government will even submit the loan proposal to the Senate. He said: "The Senate did not pass similar loan proposals in the past." Under Section Five of Article 52 of the Constitution, the government must obtain Senate authorization. Referring to this constitutional provision, Senator Esperidiao Amin (PPR-Santa Catarina) said: "It is our main defensive player." He said he would not say whether the loan should be approved or not. He noted that the government must comply with the Constitution and submit the proposal to the Senate. He added: "We will then see what the senators decide to do."

U.S. Aid to Mexico Causes Stock Market 'Turnaround'

PY0102065295 Sao Paulo AGENCIA ESTADO in Portuguese 2159 GMT 31 Jan 95

[FBIS Translated Excerpt] Sao Paulo, 31 Jan (AE)—The announcement of an alternate U.S. plan to give financial aid to Mexico made this afternoon by President Bill Clinton has caused a turnaround in the Brazilian stock market. Yesterday, the Sao Paulo and Rio de Janeiro stock exchanges closed with negative figures. Today, a lack of information regarding the loan to Mexico was causing operators to speculate that the market would close today with another loss.

Pessimism gave way to optimism when reports on a U.S. Presidential executive order to help Mexico began to circulate early in the afternoon. The good news was quickly absorbed by the Brazilian market. The Sao Paulo Stock Exchange (Bovespa), which up until 1430 was up by 1 percent, began to react immediately, and just one hour later had already risen by 7.9 percent. Bovespa closed the day with a 8.49 percent gain. The Rio de Janeiro Stock Exchange closed with a 6 percent gain.

According to professional market operators, U.S. President Clinton's decision to help Mexico overcome its short term economic difficulties has been essential in reducing the uncertainty surrounding the stock market. Even so, no analyst dares predict the trends the stock markets will experience in the next few months. [passage omitted]

Canadian Official: Mexican Crisis Not Affecting Brazil

PY3101132795 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 27 Jan 95

[By Norma Neri in Rio de Janeiro]

[FBIS Translated Text] The Canadian deputy foreign trade minister, Allen Kirkpatrick, has said that the Mexican crisis does not affect the Brazilian image. He is in Rio de Janeiro as a member of a delegation made up of more than 100 Canadian entrepreneurs, who are interested in expanding trade exchanges with Brazil. While addressing more than 300 Rio de Janeiro entrepreneurs during the Brazilian-Canadian Business Forum, which is being held at the Firjan [Rio de Janeiro State Federation of Industries] headquarters, the Canadian minister asserted that the Canadian Government has confidence in Brazil's potential for industrial and commercial investment. He explained that the Mexican crisis occurred while the delegation was organizing its trip to Brazil, and added that their trip was an example of this credibility.

At the opening ceremony, the Canadian entrepreneurs heard Firjan President Antenor Barros Leal describe Rio de Janeiro State's trade and industrial potential. The delegation members also watched a video on projects currently being developed. After that, they held meetings with Rio de Janeiro entrepreneuers to discuss businesses.

Causes of BC Intervention in Banespa Detailed

95SM0158A Sao Paulo VEJA in Portuguese 11 Jan 95 pp 76-79

[Article: "Country's Richest State Is Broke"]

[FBIS Translated Text] Everyone knows that Sao Paulo is the country's most powerful state economically. It produces 40 percent of the nation's wealth and pays nearly half of the taxes collected in Brazil. That state, with three times the economic power of Chile, is bankrupt. The Secretariat of Finance does not have enough money to buy instant coffee and computer paper or to keep the janitorial service in government departments up to date. The money that exists is being spent on such essentials as the purchase of beans for state prisons. Nor is there enough money to pay the state's employees in full. The only ones whose wages are up to date are those earning 350 reals or less. The others will be paid in installments.

The state government is no longer the boss at Banespa [Sao Paulo State Bank], Sao Paulo's giant bank—the second-largest government-owned bank in the country. On 30 December, the Federal Government appointed an interventor for Banespa. He reached the conclusion that the bank was in such bad shape that intervention was a path from which there was no turning back. Banespa's directors were fired and their assets frozen, and anyone who has been a director at any time over the past five years is going to be investigated. The Central Bank wants to "federalize" Banespa, clean it up, and then sell it to private businessmen. The intervention in Banespa is an indication of how things have deteriorated in Sao Paulo. The bank is over $8 billion in the hole. Sao Paulo is swimming in indebtedness totaling $36 billion—equal to the foreign debt of Venezuela or Egypt.

Bankrupt estate—Sao Paulo State and Banespa are only the most visible problems. There are enfeebled state banks and governments all over the country. It had been known for some time that Sao Paulo's accounts were not in good shape, but the extent of the damage was not known. Especially since the governor who left office last week—Luiz Antonio Fleury Filho—reportedly had been concealing figures. Governor Mario Covas was informed that the debts requiring immediate payment totaled $597 million. "If that had been the extent of it, the problem could have been solved," says Secretary of Finance Yoshiaki Nakano. The hole was much bigger. As of last Friday, experts had discovered that during his final months in office, Fleury failed to pay debts of $1.4 billion. Those debts are due, and they can be collected in court. When a state fails to pay a debt that is due and genuine, the creditor can ask Brasilia to intervene. Secretary Nakano is preparing to appear in court this week. There are six petitions requesting intervention in Sao Paulo. "We are broke," Nakano says. "I am going to explain to the judges that there is no way we can pay."

Technically, therefore, Mario Covas assumed office not as governor but as a trustee in bankruptcy. On the first day of business at Bandeirantes Palace, Covas received a telephone call from his secretary of energy, David Zylberstajn. The secretary informed the governor that he had to pay off $76 million in CESP [Sao Paulo Electric Company, Inc.] bonds that day. No one had been informed of the note. Shortly thereafter, another worried secretary, Jose Afonso da Silva (public safety), appeared. He wanted money to pay off a debt to Petrobras. If he did not pay the bill, police vehicles would have no gasoline for the following day. "It is startling to think that Sao Paulo has gotten into this situation. They have finished Sao Paulo off," says Governor Covas.

To get through the first phase of the bankruptcy, Covas adopted two measures, both of them unprecedented in the state's history. The first affects a group of 10,000 employees of Baneser [expansion not given], a subsidiary of Banespa. Baneser hires contract personnel under the CLT [Consolidated Labor Laws] and then turns them over to the state's government offices and secretariats. It is a collection point for jobs, and it has 21,000 contract employees. The 10,000 affected by Covas' order have been removed from government offices and sent back to Baneser. Now their fate depends on Banespa's intervenor. The other measure was to cut $3.2 billion from the state budget. That is the same money that Minister of Planning Jose Serra cut from the federal budget.

Bread and water—That budget cut means that during the first quarter of this year, Covas' secretaries will be able to spend only 5 percent of the amount planned. The tourniquet will be loosened as the year proceeds, but only slightly. The state is going to live on bread and water for some time to come. Optimistically speaking, its diet will last until the end of 1996. During that period, money for new investments or for completing construction in progress is out of the question. "I thought it would take me a year to put the government back in order, but now I am less optimistic," says Covas.

Sao Paulo has been the victim of every political vice common to Brazilian life. Its government has far too many employees. In December 1990, shortly before Fleury took office, there were 558,000 state employees at the lower levels. By the end of last year, there were 645,000. During his administration, Fleury hired the equivalent of a city—87,000 state employees—and one of his last acts as governor was to increase everyone's pay. The payroll totaled 550 million reals in November. It jumped to 780 million reals in January, and by April it will be up to about 900 million reals. Fleury was especially generous to the state prosecutors, the category to which he now belongs as a retiree. The prosecutors—and the former governor—now earn 12,000 reals per month.

Appalling debt—The other vice has to do with everlasting public works projects. To please the voters, feed the slush fund, and line the pockets of their friends, politicians inaugurate public works projects by the dozen and then forget to complete them. Sao Paulo's current administration has inherited a backlog of 270 projects that are at a standstill. The worst of it is that during his final months in office, the former governor wanted to start new public works projects valued at $2 billion and even called for bids. The good news is that he did not have time to sign the contracts. But he did have time to make advance payments to the construction firms for uncompleted work. In July, at the start of the election campaign, he paid out $15 million. In August it was $75 million. At the height of the campaign, in September and October, he disbursed $368 million. "The contractors are doing reasonably well in this crisis, but we don't have gasoline for our ambulances," says one of Mario Covas' advisers.

When one examines the figures concerning Sao Paulo's debt, it becomes clear that the state began its derailment in 1987, the year that Orestes Quercia became governor. Quercia inherited a debt of $11.9 billion from his predecessor, Andre Franco Montoro. Even that amount of debt was appalling, but it was still manageable, and at the time, Banespa was in good shape. Under Quercia's administration, the debt jumped to $18 billion, an increase of 51 percent. In December 1990, Fleury, a political protege of Quercia's, was elected, and the usual financing sources began to make it difficult for the administration to borrow money. Quercia then took out a $660 million loan at Banespa. That is the origin of the bank's bankruptcy. That money was never repaid, nor was the interest, and over the years it has turned into $6.5 billion.

If he had run an austere and organized administration, Fleury could have repaired the damage at Banespa. He chose to leave the bank with its hole. He even managed to make the hole a little bigger. As master of a bank that was falling apart, Fleury kept 1,390 advisers at Banespa at an average salary of 7,000 reals per month. That squadron of people had been advising the president and directors of the bank, and they were fired by the BC's interventor. According to the testimony of a former director of Banespa, one of those advisers was actually working for the Attorney General's Office in the Rio Grande do Norte state government. Banespa took a few jolts under Fleury. It swallowed $190 million in loans to the Cotia Agricultural Cooperative, which went bankrupt.

Destitution—Even in its death throes, the Sao Paulo bank had enough breath left to help its friends. One example: journalist Chico Santa Rita, who was one of the chief media advisers to the PMDB [Brazilian Democratic Movement Party] and helped elect Quercia and Fleury, received an endorsement from Banespa enabling him to obtain $3 million with which to build a ranch-hotel. According to a former director of Banespa, the irrecoverable loans granted to private firms probably amount to half a billion dollars.

Fleury used another trick to finance his undertakings. He ordered state-owned firms to obtain money in the market and relend it to the State Treasury so it could be squandered on construction companies and employees. The hole was thus transferred to the state-owned firms, which owe $7.6 billion just to the banks. Fleury set a record. Under his pen, Sao Paulo's debt grew by 100 percent: from $18 billion to $36 billion.

One result is the destitute condition in which the state-owned firms find themselves. The total amount owed by Sao Paulo-owned firms is not yet known, but it is most certainly huge. The two biggest state-owned firms, the CESP and Eletropaulo [Sao Paulo Power, Inc.], owe $9 billion. Of that amount, $2.4 billion is in extremely short-term debts that the firms are unable to pay. Incidentally, an auditing team from the National Department of Water and Energy concluded that Eletropaulo was in the worst financial shape of any company in the energy sector. The subway system bounced three checks at the start of the year.

The Sao Paulo population's public money was misused in other areas as well. As former governor, Quercia used the services of 42 military police officers until last week. Former Lieutenant Governor Aloysio Nunes Ferreira was also using his 42 soldiers. Aloysio Ferreira has lost his troops. The CESP and Eletropaulo together employ 300 people in their press departments, and still they hire outside help to support that battalion.

If all that money had been well spent on productive public works or projects producing a profit for the state, the debt might be justifiable. But investments have been of wretched quality. "There were long-term investments yielding a low return, and they were poorly managed," says Fernando Dall'Acqua, assistant secretary of finance, who has worked in the secretariat for 20 years. Quercia, for example, built a skyscraper in Sao Paulo that was supposed to be the women's hospital. The concrete structure is there, but that is all.

Eletropaulo has a shortage of people who can deal with transformers and wires, but the construction firms started building a magnificent head office for the firm. That project has also been forgotten. Fleury sponsored the construction of two preposterous hydroelectric plants known as Canoas 1 and Canoas 2. If they are ever completed, they will produce electricity at a cost of $130 per megawatt-hour. A waste of money. The price per megawatt is about $30. "No levelheaded engineer would begin work on a plant like that," says Secretary of Energy David Zylberstajn.

Skeletons—By law, a private firm is declared bankrupt when it loses its ability to honor its debts. Its assets are then divided up among its creditors. The most that can happen to the states is intervention by the Federal Government. That is not the case in Sao Paulo, whose governor is trying to bring some order out of the chaos. There is another remedy for the state's bankruptcy. The private economy in Sao Paulo is in good health, and the outlook for prosperity in 1995 is good. The disaster that has occurred in the state government creates a problem in that respect. If this year and the next few years see an economic boom, the state's bankruptcy will hamper the good performance of businessmen and workers.

Quercia and Fleury left skeletons like that of Eletropaulo's main office behind them. Essential public works projects such as the doubling of Highway BR-116, the road linking Sao Paulo to the southern part of the country, were not touched. Along BR-116, Fleury even invested in plaques announcing the undertaking and sent a few tractors to break ground just before the election, but that was all. The port of Santos needs repairs so it can handle more traffic during an economic recovery. It was ignored. During 1995 at least, the state government will have no money with which to build low-cost housing. Eletropaulo, which distributes electricity to industry and residences, lacks the money to expand its network.

Partnerships—Those are the areas where the effect of the state's bankruptcy is most noticeable. If it had been well-governed in recent years, Sao Paulo might have the burden of its $36 billion debt, but it would be prepared to sustain continuing economic growth and to profit from it through tax collections. With the ground cut out from under them, businessmen will find it hard to operate. Those who might have wanted to come to this state may decide to go elsewhere.

Governor Mario Covas has the desire to fix part of the problem over the next two years, and the desire of his constituents is that he succeed. Since there is no money for investment, Covas wants to form partnerships with the private sector in order to begin urgent projects. "I am not prejudiced against the private sector. We will be partners," he says. At the Secretariat of Finance, a bill is being drafted to implement a law granting concessions to provide public services. "We are going to do this as quickly as possible, because Sao Paulo cannot remain at a standstill," says Secretary Yoshiaki Nakano. Sao Paulo may no longer be the country's locomotive, but it is an indispensable source of industrial energy. It would be nice if that source were well administered for a change.

Cleanup Has Only Begun

Banespa and Banerj [Rio de Janeiro State Bank] will probably not be the only state banks subjected to intervention by the Central Bank. The BC has its eye on at least half a dozen institutions. The most likely candidates are Produban [expansion not given] in Alagoas, Banrisul [expansion not given] in Rio Grande do Sul, and Bemat [expansion not given], which is administered by the government of Mato Grosso. Banespa and Banerj were the first because they are the biggest and can serve as an example encouraging the governors to pay attention to the health of their banks. "We are knocking out Mike Tyson and George Foreman with a single blow. Maybe we won't have to knock out Maguila," says one high official in the BC. The government's intention is to reorganize and privatize, if possible, every state bank that is in need of intervention. "We are not going to straighten everything out and then give the bank back so the governor can wreck it again," says the BC official.

The governors have heard the warning. In the past, some of them even enjoyed surrendering their banks to BC intervention for a time. The Central Bank's interventor would fire people, collect debts, and carry out other painful cleanup duties. The governor would be free of political problems and then would get the bank back in good shape. It is known that some of the new crop of governors approached the BC about straightening out their banks, but backed off when they realized that the Federal Government was not in the mood for games.

The message that the stand on state banks was changing was sent out by Persio Arida, the economist whom Fernando Henrique has named president of the BC, during a Senate hearing three weeks ago. Arida told the senators he was thinking of privatizing state banks. It is now known that he was serious. Under the terms of a 1987 decree-law, a state bank that is being shored up can be privatized by the BC if the said bank's assets are insufficient to cover its liabilities. Another possibility is that a bank's management will be considered guilty of reckless behavior or fraud.

Misappropriation—It is not yet known whether that situation exists at Banerj or Banespa. What the interventors have already identified in those banks are serious instances of misappropriation. Banespa owns an agency—Baneser—that hires contract workers for the Sao Paulo government. Baneser squanders money on thousands of people who are not likely to be found at their place of employment. At Banerj, it was discovered that 40 percent of the agricultural loans were for projects in Rio Grande do Sul, former Governor Leonel Brizola's home state. The problem of privatizing state banks is a political one. The governors use those banks to finance their projects or the state deficit. Without their state banks, they have to toe the line. There is also the corporative problem. The employees of Banerj, under the leadership of the CUT [Sole Workers Center], have already mobilized to keep everything the way it was before.

There will also be a cleanup operation in the federal banks. The government is expected to close 600 federal bank branches, starting with those in cities with fewer than 100,000 inhabitants. In 2,500 of those municipalities, there is more than one bank competing for the same customers. The Federal Savings Bank is going to stop competing with commercial banks and devote itself solely to home financing. Minister of Finance Pedro Malan announced last week that Paulo Cesar Ximenes, a former head of the BC, would be the new president of the Bank of Brazil. He has appointed former Minister of Social Security Sergio Cutolo to head the Federal Savings Bank. Those appointments suggest that the two banks are going to be free of political pressure.

Sao Paulo's Debts

Sao Paulo State and the firms it owns owe $36 billion as follows:

1. To Banespa, Our Savings Bank, the BNDES [National Bank for Economic and Social Development], and others: $16.4 billion.

2. In securities: $9 billion.

3. To foreign creditors: $4 billion.

4. To construction firms and suppliers: $4 billion.

5. To the Bank of Brazil: $2.6 billion.

Drug Accord Signed With Russia Submitted to Senate

PY3101165295 Sao Paulo AGENCIA ESTADO in Portuguese 1649 GMT 30 Jan 95

[FBIS Translated Text] Brasilia, 30 Jan (AE)—The presidency has submitted to Congress a cooperation agreement which was signed by Brazil and Russia that seeks to control the use of narcotics and psychotropic substances and to combat the production and trafficking of drugs.

The text of the agreement, accompanied by an explanatory message by Foreign Minister Luiz Felipe Lampreia, was submitted to Congress by Civilian Household Chief Clovis de Barros Carvalho.

Lampreia said: "The agreement provides for an exchange of information on the most relevant aspects of the fight against the production and trafficking of drugs, as well as for coordination of strategies to prevent drug abuse and to rehabilitate addicts." Under the agreement, the two countries will exchange "information on the methods used to camouflage illegal shipments of narcotics and psychotropic substances for crossing borders, and on ways to detect such shipments."

The agreement also provides for exchange of information on the identity of traffickers and the routes used for transporting drugs, and on special studies, techniques, and methods to detect illegal narcotics shipments. The agreement sets forth that "any information supplied by one country to the other, either verbally or in writing, will be considered confidential and will be used in line with the conditions imposed by the supplying country."

Former President Sarney Elected Senate President

PY0102113795 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 31 Jan 95

[FBIS Translated Text] During a secret session that lasted more than four hours, senators of the Brazilian Democratic Movement Party [PMDB] today elected their new Senate bloc leader and the new Senate president. The PMDB senators elected Senator Jader Barbalho of Para State as their bloc leader; he defeated Senator Jose Fogaca of Rio Grande do Sul by 14 votes to 8.

There were no surprises in the choice of Senate president. The winner was former President Jose Sarney of Amapa. Sarney obtained 13 of the 22 votes. Senator Pedro Simon of Rio Grande do Sul obtained five votes and former Goias Governor Iris Resende obtained four.

Under Senate regulations, the PMDB is entitled to elect the Senate president because it has the largest bloc in the Senate.

At 1000 tomorrow, Senator Sarney's election will be confirmed by the plenum. Sarney said he advocates austerity and an administrative reform at the Senate. He said he will support the government in the constitutional revision process.

[Begin Sarney recording] The president of the Republic can expect close, patriotic cooperation in implementing the reforms he has announced for Brazil. [end recording]

Chile

Finance Minister Criticizes Argentine President

PY3101140195 Madrid EFE in Spanish 2126 GMT 30 Jan 95

[FBIS Translated Text] Santiago, 30 Jan (EFE)—Chilean Finance Minister Eduardo Aninat today criticized Argentine President Carlos Menem for having advanced the announcement on the granting of a $1 billion four-country solidarity loan to Mexico. Aninat considered the announcement untimely.

Aninat said Chile was "unfortunately surprised by President Menem's unilateral advanced announcement in Davos, Switzerland. We respect his remarks, but we think there were untimely."

The Chilean finance minister revealed that on 26 January the Argentine Foreign Ministry sent the Chilean Foreign Ministry a draft proposal on the creation of a group of four countries—Argentina, Brazil, Colombia, and Chile—and invited Chile to participate in the initiative.

The finance minister explained: "We had many points of consideration on the draft declaration and asked for time to consider it. On 27 January Foreign Minister Jose Miguel Insulza sent some initial comments to the Argentine Foreign Ministry."

Aninat thinks "the declaration should have been improved, seeking greater understanding among the four countries involved before President Menem made any announcement."

He said there are three or four points still being analyzed and, therefore, "(Menem's) declaration was unfortunate."

Aninat emphasized that the Chilean Government will establish maturity periods, amounts, and loan conditions because "we do not let others dictate the conditions," referring to the Argentine announcement.

The minister said the transaction could possibly be implemented through a deposit in the International Bank for Payments of Switzerland [title as received], adding that the amount would be less than the $200 million the press has been mentioning.

Answering criticisms by right-wing opposition parties that Chile has more urgent needs than granting a loan to Mexico, Aninat said the government would use our international reserves and the budget will not be touched.

Aninat said that within 10 days the government will announce the loan conditions and terms.

Foreign Minister Jose Miguel Insulza said: "We were surprised by President Menem's announcement that Chile and other countries were preparing a loan for Mexico."

The minister recalled that the Argentine announcement came a few hours after initial Chilean reaction to the Argentine proposal "pointed out certain points that were not in accordance with our policies."

Insulza said, as he left Santiago's Diplomatic Academy, that Chile is willing to help Mexico. He pointed out, however, that a joint declaration on the loan arranged between Argentina, Brazil, Colombia, and Chile has still not been approved.

Border Tension Prompts Suspension of Aid Flight for Haiti

PY0102081195 Madrid EFE in Spanish 1602 GMT 28 Jan 95

[FBIS Translated Text] Santiago, 28 Jan (EFE)—The border tension prevailing between Peru and Ecuador has forced the suspension of the flight of a Chilean Air Force (FACH) plane which today, 28 January, was to leave for Haiti with 20 tons of humanitarian aid worth $300,000.

Carabineros Under Secretary Luciano Fouillioux, who was to head the Chilean delegation that was to leave aboard a C-130 Hercules FACH plane, told Radio Cooperativa that, because the trip to Haiti entails "flying over the territories of Peru and Ecuador, it was decided to suspend the flight for security reasons, so as not to endanger the lives of the crew and the delegation."

He added that the decision was made jointly between Chilean officials and the FACH, and that the flight was only postponed. It will probably be scheduled for Monday or Tuesday, 30 or 31 January, "according to the development of events."

The Chilean humanitarian aid to Haiti consists of educational aids and material, vitamins, antibiotics, and vaccines, in addition to construction materials.

Chile, Argentina, Brazil, and the United States are the guarantor countries of the so-called Rio de Janeiro Protocol, signed in 1942 by Peru and Ecuador, which established the border in the Amazon zone in the area near the Condor Mountains, where armed incidents have taken place over the past few days.

Armed Forces in State of Alert Due to Peruvian Conflict

PY3101235895 Madrid EFE in Spanish 1334 GMT 31 Jan 95

[FBIS Translated Text] Santiago, 31 Jan (EFE)—According to General Hugo Jaque, the deputy chief of the Joint Chiefs of Staff, the Chilean military has not reinforced its troops on the Chilean-Peruvian border but it "is not adopting a passive attitude, either."

In an interview published today by the newspaper LA EPOCA, Jaque discusses the Ecuadoran-Peruvian conflict. He states that Chile does not have a border conflict with Peru except for different points of view regarding the treaty of peace and friendship signed in 1929.

These differences of opinions are regarding secondary issues such as the operation of a dock and the site of an urban lot owned by the Peruvian Government at Arica port, located on the border.

Jaque said that the Chilean military "is alert." He added that "We are permanently studying the situation because Chile is one of the guarantor countries of the Rio de Janeiro protocol."

In addition, we are studying events "because one of those involved in the conflict, Peru, is a bordering country."

Jaque explained, moreover, that "the state of alert" categorically does not mean that an alert has been declared on the northern Chilean border; much less is there a mobilization of troops or deployment of war materiel to the region.

General Jaque said that "this does not mean, however, that we have adopted a passive attitude. We have to be alert ... we are alert, but no measures have been implemented."

In addition, he said that no movements of Peruvian troops on the Peruvian-Chilean border have been detected.

Colombia

Samper Addresses Surrender Policy Commission

95CA0102A Santa Fe de Bogota EL TIEMPO in Spanish 21 Jan 95 pp 5A, 20A

[President Ernesto Samper's address during the inauguration, on 19 January, of the Commission for Evaluation of the Surrender to Justice Policy]

[FBIS Translated Text] In my inaugural address, on 7 August of this year, I declared that "our peace policy will succeed only if it improves the systems for administration of justice until the battle against impunity is won. Impunity is the greatest accomplice of violence."

Reaffirming the government's commitment to this intention, I must underscore, here at Narino Palace today, the monolithic presence of all the authorities assigned to attain this undeferable objective of restoring faith in the justice system and in its effectiveness.

The draft Statutory Law on Justice, the Plan for Implementation of Justice contained in the Social Leap Plan, and the appropriation of investment funds for the justice system during the next four years, totaling nearly 400 billion pesos, constitute the best proof of the concern motivating those here present to contribute to the modernization of our justice system based on the concept of a dynamic state of law.

Societies have responded in different ways to the new challenges of criminality.

Some, captives of fear aroused by the destabilization resulting from new, devastating types of crime, have opted for authoritarian systems of government, sacrificing citizens' guarantees in exchange for stability.

Others, more faint-hearted, have yielded to the forces of evil, abandoning the exercise of their values amid fright and corruption.

Colombia will not succumb to either of the extremes in this dangerous dilemma.

We shall respond with democratic firmness to the immense challenge of organized crime. And we shall do so all together, implementing one and the same policy on crime to which all those with a will for action are committed.

This is demanded by the memory of many Colombians who, in the immediate past, gave their lives after having raised their solitary voice against the advancement of criminality.

Fortunately, we Colombians have now learned to demonstrate that the path of legal means is the most suitable one for surmounting even the most complex conflicts.

The policy of surrender is a part of that policy on crime currently in effect. Simply stated, the policy implements the fundamental principle of offering to revaluate the sentence imposed on anyone who, having offended the society, convincingly expresses a desire to repent, offers information that will shorten the trial process, effectively helps to combat criminality, and clearly voices a desire to be rehabilitated as a citizen.

In countries such as the United States and Italy, to cite just two examples, surrender has ended up becoming the mainstay of the penal procedural structure, to the point where over 90 percent of the processes are ultimately resolved through this means.

In Colombia, the policy, applied far more recently, also has made it possible to sentence 10 percent of the population of those currently convicted within a relatively short period.

Nevertheless, surrender has begun to receive criticism, with grounds, of its application and implementation.

Last week, the prosecutor general of the nation and the attorney general agreed on questioning the manner in which the policy has been operating.

The national government, for its part, through the minister of justice and law, published the findings of an important investigation, confirming the concerns of these high-ranking officials.

The study showed a surrender policy typified by an improper application of the benefits granted by the legislator, and an unacceptable apportionment of the penalties called for in different types of crimes.

Surrender, conceived as a method for exceptional application of the penal regulations, has become a general rule, the application of which is becoming an open door leading to impunity.

This clear, forceful reality has led us to the conclusion that, if the policy is to continue existing, it must be the subject of a stringent examination.

As a result, at the constructive meetings that I held on the subject last week with the prosecutor general and the attorney general, we reached agreement on the need for initiating a process to revise and adjust the policy. The aim is to prevent its continued use as an evasion of the proper application of justice.

Nor do we want its application in certain special cases, such as those involving the drug traffic, to be interpreted as a false alternative to the strategy currently in force, one of invariable prosecution of the drug cartels.

There must be no room for any doubt on this point: surrender is not a substitute for the prosecution of drug traffickers. On the contrary, it should be interpreted as one of the consequences thereof.

The national government understands that the fundamental responsibility for handling the surrender policy is assigned to the Office of the Prosecutor General of the Nation, and that, based on this mandate, it is incumbent on the prosecutor general to keep abreast of its application. However, it also agrees with the attorney general's assessment, contained in the letter that he sent to the president on 12 January, to the effect that surrender is part of the State's policy on crime. Therefore, as such, its definition and execution are the responsibility of the State itself, beginning with the president of the republic.

It was these reasons that prompted us to propose the establishment, announced by the honorable minister of justice, of the inter-institutional commission that we are inaugurating today, to revise the surrender policy.

We are aware that a substantial part of the crisis currently besetting the policy is explained by the lack of clearcut, uniform criteria for its application. This has led some judges and prosecutors to interpret its implementation as limited to granting the maximum benefits and imposing the minimum penalties contained in it.

Nor can I conceal from you the fact that the policy's state of crisis is very closely linked to the obvious flaws in our system for the administration of justice. Without its prompt correction, neither this nor any other policy will succeed in attaining the goal of ensuring prompt, equitable judgment and punishment of criminals.

Despite all the efforts expended in the immediate past to correct the flaws in our judicial system, it is clear that we are encountering substantial obstacles to everyone's desire for having a transparent, effective justice.

There is no other possible interpretation of the favorable opinion expressed this week regarding an issue as sensitive to all Colombians as that of extradition.

What the people do not want, of course, is to have Colombians sent abroad, to be tried by foreign judges, based on foreign laws. This would mean a change in the decision adopted in that regard by the National Constituent Assembly, prohibiting the extradition of nationals in the new Constitution. No.

What Colombians want, and the national government shares this anxiety and demand with them, is that there be prompt, enforced justice; but, primarily, that this justice be exemplary. And we can achieve this only if we understand, once and for all, that attaining the ideal of a just society is not a task for a single person, or a government acting alone. The task of achieving justice is, like no other objective, a collective responsibility.

And it is an ethical responsibility, because it entails the preservation of the foundations of our own nationality. To correct these flaws, the government submitted to the Congress for consideration the Statutory Law on Justice, which will unify all the efforts of the different entities charged with its administration in a single directorate.

Similarly, the revision of the penalty system currently in effect is being completed, to adjust all penalties, as part of a general, systematic revision of the Penal Code.

And, within a few days, some significant measures will be prepared on the subject of jails, which will unequivocally and permanently restore the rule of law in our leading prison centers.

We shall not tolerate crime being committed in jails.

Hence the importance of the task of revising and adjusting the regulations being undertaken today by the commission that we have inaugurated. Its purpose is to assure enforced implementation of the regulations on surrender to justice, and to rectify, mandatorily, criteria whose overly lax, subjective application has put the policy in its current state of crisis.

Therefore, I must publicly thank the prosecutor general of the nation, the attorney general, the chairman of the Superior Council of the Judiciary, and the president of the Supreme Court of Justice for the positive response that they have given to this summons.

We are certain that this commission's first task will be to identify regulations that can lend clarity and security to the policy.

Regulations that will make it possible to reinstate the principle of fitting punishment, which the society expects for the commission of all crimes.

Regulations that will stipulate that minimum penalties are in order only in exceptional cases specified in criminal law.

Regulations that will prevent the granting of concurrent benefits when there is no justification for them.

Regulations that will explicitly stipulate, once and for all, that sentence reductions and benefits are not rights of the accused, but rather state concessions in exchange for effective cooperation with the justice system, accompanied by clearcut reasons of advantage for society.

The national government also wants the commission's members, in carrying out their critical mission, to analyze the terms and conditions whereby surrender has proven to be an effective strategy for the application of justice in other countries, under circumstances of advancing criminality similar to those existing in Colombia.

The task of defeating the different manifestations of crime occurring today in multiple forms is embodied in an ethical obligation of the state to Colombian society.

As president of the republic, I believe that, in this way, I am fully interpreting the oath that I took to respect the Constitution and the laws.

Without justice, that oath cannot be completely fulfilled.

Without justice, we shall never be a free society.

Without justice, there will be no peace or security, nor any tolerance either.

The new Colombian citizen that all of us want to have upon reaching the 21st century must be, above all else, a just citizen. Let us strive on behalf of that ideal.

Rodriguez Orejuela Protests EL TIEMPO Report

95P20446 Santa Fe de Bogota EL TIEMPO in Spanish 21 Jan 95 p 4A

[Letter by Miguel Rodriguez Orejuela to the editor of EL TIEMPO] [FBIS Translated Text] Once again, as on other occasions, I must write to ask you to correct a report published by your prestigious newpaper on 17 January on pages 1 and 6A which reads: [headline] "Be very careful, because they are following you.." "Outline of the Montes-Aguilar-Miky contact."

There is nothing more false and biased than the manner in which this information was handled. I assume the intent must have been the personal interest of the shift reporter, for reasons I do not know, in implicating me by whatever means—even including a photograph which is not of me—in the scandal created by the conversations between Ms. Montes-Aguilar and Mr. Miky Ramirez. What are you attempting to do by stating between the lines that Ms. Montes heard a recording between Mr. Miky Ramirez and myself in which a plan was supposedly being devised to assassinate a police official, then to state elsewhere in the article: "According to Montes, in the conversation the threat was not clear and for this reason it would not have been easy to present a criminal accusation."

I find it hard to believe that you have done this for the sole purpose of publishing a photo with my name in the caption and at the same time to imply authorship of a crime. My conduct has been and will continue to be that of respect towards others. For this and many other reasons, it is not true whatsoever that at any moment of my life I have even thought of making an attempt on anyone's life much less that of a member of the Armed Forces.

Ecuador

Duran-Ballen Tells Students 'We Will Stay Put'

PA3101174795 Quito Voz de los Andes in Spanish 1630 GMT 31 Jan 95

[Speech by President Sixto Duran-Ballen from the Presidential Palace to students gathered at the Plaza de la Independencia in Quito—live]

[FBIS Translated Text] I have been here with the young people so many times that I am growing aphonic little by little, so I beg you to listen to me.

Ecuador has demonstrated to the world, to Latin America, and to our neighbor that it is united and that it is decided not to move backward this time. We will stay put where we are. [crowd cheers]

Today, following the firm position your president has adopted because he felt the backing of his people and the young people, we have the fruit of firmness, an unconditional cease-fire without being forced to withdraw, as was always the case in the past.

We are staying where we were for the first time in our history. We have not taken one single step backward. [crowd cheers]

Fellow citizens, now, with the participation of friendly countries, of the OAS, and through any kind of mediation, we are going to recover through dialogue our aspiration to territorially and in a continuant manner reach the Amazon River, the river discovered by a commission that left from this Quito plaza. Referring to that expedition, a plaque here establishes that they left from here to the Amazon River, which was known as the Quito River for a long time.

We are going to recover our rights as an Amazonian country thanks to the backing we have from the Ecuadoran people and young people.

Viva Ecuador! Ecuador! Ecuador!

Thank you, young Ecuadoran people. Remain alert and keep this spirit of unity to be able to achieve this recovery with your backing. Thank you, Ecuadoran people, thank you, young people.

Duran-Ballen Explains Position

PA0102032295 Quito Radio Network in Spanish 0117 GMT 1 Feb 95

[Opening statement by President Sixto Duran-Ballen at a news conference by Foreign Minister Galo Leoro, Defense Minister Jose Gallardo, and the presidential press secretary with unidentified moderator and international and local reporters in the auditorium of the Latin American Center for Advanced Journalism Studies, CIESPAL, in Quito—live]

[FBIS Translated Text] Good evening, ladies and gentlemen. As many of you have seen on Ecuadoran television, over the last couple of days I have had to go out onto the presidential palace balcony to thank the Ecuadoran people, the people of Pichincha, the people of Quito. I have lost my voice a bit, so if you cannot hear me well, I beg your forgiveness. I also want to express my appreciation to [word indistinct] and through him to all international television, the news media present here, to the [word indistinct] of the country for giving us this opportunity, to the ministers who are here, and to my cabinet members for being able to present some aspects of my country's views regarding the unfortunate events of these last few days, events which never should have happened.

We did not provoke these events. Some media here and abroad have said repeatedly that we have been labeled as the aggressor. It would be well to ask if any of the sites that you and the other reporters have indicated as the scene of the events are places where Peruvian citizens live and work. None of them—we could mention eight, nine, or 10 towns that have been published by the national and international press over the past few days—Condor Mirador, Cueva de los Tayos, Base Sur, Tihuano, Tihuinza, Soldado Monge, Teniente Ortiz, Iza—none of these towns is inhabited or has been inhabited by Peruvians for a long time. Each and every one of these places is inhabited by Ecuadoreans. On the contrary, none of you can say at this moment that any other town or location in which there has been fighting over the past few days is Peruvian. How can we be the aggressors if the sites that were attacked are all Ecuadoran towns? It cannot be said that we in any way, not even in the slightest way, touched sites occupied by Peru.

We can definitely certify with our own information [words indistinct] that the sites that have been attacked were all inhabited by Ecuadoran citizens, some of them wearing uniforms, others in civilian clothes. These people normally live near military installations to work for the development of the small town by providing supplies and other provisions.

It must be clear: If all the places where these events have taken place since 11 January are Ecuadoran, we are not the attackers. It means we are the victims of the attack.

Perhaps many of you have heard explanations in the last few days about the Ecuadoran reality, but please allow me to go back—I am not going back to prehistoric times—to briefly mention what our country looked like before 1942, and what it supposedly looks like after 1942.

Before 1942, Ecuador's boundaries were the ones shown on this map. They are highlighted here with a red line. In

1942, after being invaded by Peru, we eventually signed the so-called Rio de Janeiro Protocol. We must remember the circumstances in the hemisphere at that time. A few months before, a few weeks before, Japan had bombed Pearl Harbor. Not only the United States but the entire continent entered the war. Some actively joined the war effort by deploying military units which cooperated with the U.S. Government. Other countries also cooperated. Ecuador, for example, contributed with sites like Salinas and the Galapagos [words indistinct]. A change in crop cultivation took place here. Balsa, rubber, and similar crops were cultivated to help the war effort.

Ecuador, this small country, was sacrificed. Hasty actions were taken, even without any knowledge of our geographic reality, as I am going to prove later. Ecuador suffered a serious blow: 55 percent of its territory was given to the Republic of Peru in this Protocol.

A line was drawn from the area of Guepi, on the border with Colombia—an easily identifiable demarcation was drawn—to a certain site, the impossibility of which was later made obvious by the geographic reality. I am going to talk about that later.

The border was drawn this way. A number of border markers were placed up to the San Francisco creek.

But before I refer to this zone, allow me to point out certain things to you. The occupation process of this eastern part of Ecuador—a process to which we think we have been rightfully entitled throughout our history—consisted of hacking our way down the mountain range until we reached a river where Ecuadoran settlers could sail a canoe, and further down a large vessel. We managed to reach certain towns beyond this line.

The first genuine physical sacrifice was made by residents of several towns along these rivers. How can one then explain, for example, that today there is a town in Peru called Baquerizo Moreno, the name of one of our presidents from early in the century? Would a neighboring republic honor one of our presidents? How can one explain that along another river there is a town called (Gonzalez Far), the name of a famous archbishop-historian, the archbishop of Quito, who dates back to early in the century? How can one explain that there is a town here called (Tarsi), which was named after the (Tarsi) found near the city of Cuenca? That place was the site of a battle—before we became a republic and were part of Gran Colombia in 1829—that was precisely an incident provoked by our neighbor to the south. They (?attacked us). That was a great Ecuadoran victory. Would they name it after something that meant exactly the opposite? The answer is no.

We could talk about other names such as [words indistinct] that are typical Ecuadoran names. We were prompted to retreat from here. There was definitely an attempt to harm Ecuador. Let us now move on to the actual site.

You have probably heard on many occasions that—since we are recalling this, let's talk about it—the protocol specified that starting at this site, which is the confluence of the Santiago and Yaupi Rivers, the water divider should be followed; that is, the divortium aquarum between the Santiago and Zamora Rivers.

The two countries, Peru and Ecuador, had an idea, not a complete picture, of a geographic area. We had seen [words indistinct] mountains of a certain altitude. There were relatively high, but not as high as the Andes. In certain places they reached about 2,000 meters. We knew about the existence of some large mountains on this side, and they knew about large mountains on the other side. The two countries and the guarantors were unaware of the geographical reality of this area. We were completely unaware of it and thought that there was only one water divider. At a given time—we are talking about the forties, when there was the issue of border markers up to this point—two versions immediately came up. The first was in the sense that it was between the Santiago River and the Cenepa River, which on old maps is only a few kilometers long north of the Amazon River. In reality it is about 200 km [words indistinct].

The appearance of this river, of this basin located in the middle, which is clearly visible on this map, created a new geographic situation. Neither the guarantors nor our two countries knew about this basin in the middle. When [words indistinct] the first option was to come through this mountain range, and the other option was through this side, which is the one that the Republic of Peru has maintained since then.

This is inapplicable. I can make the following analysis because we are dealing with a document—a protocol is a formal document—and we must try to interpret it and identify the spirit of that document.

Let us assume for a moment that this river did not exist; that a single large mountain range existed [words indistinct] and the spirit was to continue along the summit. We would have necessarily reached—and we are talking about the water divider—we would have at a given moment ended up in the Amazon River. That means the spirit of the Protocol was always that Ecuador remain an Amazonian country.

The inapplicability of the protocol in this area was denounced by President Galo Plaza Lasso, who was in office from 1948 to 1952. He said at that time that the protocol was inapplicable. We have remained there, but Peru has continued to advance. It has arbitrarily established a line and plans to close it.

When I spoke with President Fujimori just a few days ago, he told me he was willing to follow the protocol and rechart the border along the summit of the Condor Mountain Range and the Cenepa riverbed. I had to interrupt him to say: Mr. President, please tell me, tell me colleague, where does the protocol mention the Condor Mountain Range, and where does the protocol mention the Cenepa River? This belated unilateral interpretation is unacceptable to Ecuador.

Let's not talk about 40 years of history but concentrate on the present. After capturing four units of a Peruvian military patrol on 9 January, in accordance with the instructions given to armies on both sides of the border, they were sent back where they came from. As it was rather late, they were given shelter for the night. They were released the following day, 10 January, at the (Soldado Ponce Garrison) in Peru.

The very next day, 11 January, we encountered another Peruvian patrol. This time there were 10, 12, perhaps 14 soldiers. It is difficult to say because they responded with gunfire when we asked them to identify themselves, as established by standard operating procedure. From that day on, military action increased. There have been days with no incidents, but we have been repeatedly attacked in two, four, and even in all nine towns or garrisons I listed when I began.

Immediately after the first incident on 11 January, I called OAS Secretary General Cesar Gaviria to advise him of the situation. We belong to this regional organization, and in accordance with the OAS charter, we can bring this type of situation before it.

The next day I called a meeting of the Ecuadoran Government's National Security Council. The council unanimously decided that I should notify the guarantor nations of the Rio de Janeiro Protocol. Note that I say guarantors, not friends. I say guarantors because there is a document that is in effect, even though Ecuador does not recognize its validity. Aside from our right to call on the OAS, it is the only legal instrument we have for finding a solution to this problem.

The guarantor nations met, and within 24 they asked me if I would agree to demilitarize the region where the clashes were taking place and have each country redeploy its troops. I immediately answered with a flat no. We know what will happen. Ecuador has almost 165 years of experience in its independent life. That is the process our neighbor has used every time to gain more and more territory at Ecuador's expense. An incident is created; someone intervenes; a cease-fire is called; then a retreat; then they occupy the places Ecuador vacated. I will not let this happen again. As I said before, my responsibility as president of the Republic is to safeguard the country's integrity; to maintain its territorial sovereignty. I swore to do this on 10 August 1992, and I must keep that promise. That is what I am doing now. I will not give up a single centimeter. We will remain in these positions. We have a right to them.

Some of the villages I have mentioned, such as Soldado Monge... [pauses] Soldado Monge lies upriver from the confluence of the Santiago and Yaupi Rivers. Here at this point is Soldado Monge. It is farther upriver from the disputed area. Why did they bomb it? We have two other villages here. Oh, by the way, Soldado Monge was founded in 1938, four years before the Rio de Janeiro Protocol. When the line was drawn, it ended up on the line, and therefore it belongs to Ecuador. There is no doubt about that, and yet, it was bombed. It has been attacked.

We have two other villages, Teniente Ortiz and Etza. We have full rights over Etza, because it lies on the accepted border line. Etza was founded in 1991. It is the only one of the detachments and villages that was founded after the [words indistinct].

All of the remaining villages, detachments, and military installations were established before 1981. Some of them were founded in 1969.

After explaining the situation to the OAS through its secretary general, we began talks with the guarantor countries. When there was talk about a cease-fire, either with the participation of Dr. Gaviria or with the participation of the guarantor countries, I always maintained that Ecuador could accept an unconditional cease-fire.

Once this cease-fire was established, we could sit down at a table before any one of the international organizations or before the guarantor countries. We talked about different options to discuss and talk about the problem.

The Republic of Peru has been delaying its reply on this request. Different options were raised. I have always maintained my position that reflects the opinion of the Ecuadoran people: to hold a dialogue, but after an unconditional cease-fire.

We have always maintained the status quo position—a position maintained for decades. We have lived with an ad hoc line, and because of the fact that it has not been delimited, neither country has, let us say, a land title deed. We have the same rights to this land that Peruvian citizens and detachments to the south have. If we are accused of being in Peruvian territory, we could say that they are occupying lands that belong to Ecuador. The border has not been closed in that area. It is a part of the border on which we have not reached a bilateral agreement for the allocation of land to each country. No international court—the International Court of Justice at The Hague, for example—has handed down a ruling on this border. There has been no ruling, but for A, B, or Z reasons, we have remained in this situation for four decades. We have not sat down at the negotiating table to seek a fair solution to the aspirations and needs of the two countries—something which could allow Ecuador to maintain the spirit of the protocol as an Amazon country.

Ecuador is a country that needs to have territorial and sovereign continuity, including a port on the Amazon River.

I talked to President Fujimori about this when he came to Ecuador in 1992 on the occasion of my presidential inauguration.

Later, we spoke again, and we did so on more than one occasion. I believed, fellow countrymen and friendly visitors, that because both of us were technicians, begging the pardon of the politicians who are present here—albeit diverse politicians, but nevertheless what is normally understood as politicians—that because we were both technicians, we should view things objectively and would find that there is a geographic reality that prevents the enforcement of the protocol. Therefore, we would have to continue to engage in and maintain the dialogue, with the goodwill of everyone without exception, including President Fujimori of Peru, who expressed Peru's commitment to dialogue on the occasion of the Miami summit called by President Clinton just a few weeks earlier.

We can resolve our problems through talks and dialogue, through technical arguments, but not through the use of force, weapons, or aggression, and not through these surprising actions that have been taken. We have plenty of examples from around the world, in every part of the world in which there are problems like ours. If the problem that persisted for almost the same amount of time between Israel and Arab countries has been solved, why not a situation here involving two countries that have the same blood running through their veins, the same ethnic upbringing, and the same religion? Two countries that have complementary economies, two countries that have a place within the Andean regional market and the Latin American regional market, within the continent itself—a market we all have committed ourselves to join, without exception, by the year 2005—why can we not resolve our differences? Why cause this unfortunate situation that paralyzes the development of both countries? Why should one country attack another? I have heard newsmen ask me: Could this be politically motivated?

As a human being, I refuse, and I repeat, I refuse to believe that human lives—no matter whose they are, Ecuadoreans, Peruvians—can be sacrificed for nothing more than political reasons. I refuse to believe this. As a human being, it is difficult for me to believe that in the mind of someone else there can be a carefree attitude regarding the lives of people from either country, of many people, some of whom have been mutilated, wounded, or forced to rebuild their lives. I truly think it would be disgraceful if this were the reason.

On the other hand, if this is being done out of the desire to conquer new territories, or to recover them, I quote them when they say there is first the mechanism of the Rio Protocol, to which they resort, as well as regional and world mechanisms, to which one can resort to resolve problems of this kind.

Yesterday, at the end of several working meetings—some here, some in Lima, others in Brazil—we agreed, through the action of the guarantor countries of the Rio Protocol to accept a cease-fire. The only thing left to be done was to declare the cease-fire agreement and to establish the effective deadline for its implementation—a time for implementation, which my government at a given moment said could be at 0600, 0800, noon—in other words, as early as possible—to prevent an additional loss of lives. The Peruvian Government advised us that, because of communications network, it could not implement this until perhaps 1800. We agreed it could be implemented and the announcement was made by the Brazilian Foreign Ministry, which was serving as mediator for the two sides. It was more than a mediator, it was a coordinator for the four guarantor countries. There was no objection to making the announcement at 0800. I suppose there was joy over there. We have been waiting all day for the hour when the cease-fire will take effect.

We were willing to accept any time, which, according to them, could not be set up before 1800 due to technical difficulties. However, not only was the time not established before 1800, but moments before we arrived at this session, we still did not have any information on the time the cease-fire would go into effect.

Some of you here have told me that a Peruvian television channel just reported that the president had agreed to the cease-fire. I am not aware of such information or the time it was disclosed, if that is what has happened.

Undoubtedly, the spirit of the agreement reached yesterday was that hostilities would end today. It was immaterial if it was at 0600, noon, 1800, or midnight, but it was to be today. That is why a meeting of deputy ministers was convoked. I indicated that the Ecuadoran delegation would go as soon as I was told that the cease-fire had been accepted for today, without giving a time for it. Our deputy foreign minister and one or two advisers have departed and should be in Rio already. I instructed the deputy foreign minister that if the time for the cease-fire had not been established when the meeting began, he was to leave on record that the agreement had not been complied with and then leave the meeting.

Ladies and gentlemen, these are the events that have led to this serious situation. Ecuador is a peaceful country; a country that has never attacked its neighbors; a country that believes firmly in peace and that all means for dialogue must be exhausted to achieve peace. This is how, once again, Ecuador was unexpectedly attacked.

However, we were willing, from the first moment we were asked, to begin talks with an established position to seek the fairest solution for both countries. This would be done based on the fact that there was a geographic reality which—as I believe I have proved to you—made it impossible to execute the part of the agreement to demarcate the border between the two countries. The ministers who will remain to answer your questions will probably, at your request, expand on my remarks on the historical process, and particularly on recent events.

I want to reiterate the peaceful resolve of my country. Once again, I want to reiterate to you that Ecuador respects international organizations and has demonstrated that fact throughout our republican history. Nevertheless, my administration also has an obligation toward the Ecuadoran people. We will not return from where we now stand because we are legally entitled to be where we are, hoisting our national flag. Many thanks, ladies and gentlemen. [applause]

Duran-Ballen To Attend Andean Summit 2 Feb

PA0102143195 Hamburg DPA in Spanish 1242 GMT 1 Feb 95

[FBIS Translated Text] Quito, 31 Jan (DPA)—Ecuadoran President Sixto Duran-Ballen confirmed this evening he will go to the Andean summit to begin on 2 February in Cumana (Venezuela), where he could meet with Alberto Fujimori, his Andean counterpart whose military forces have been sporadically clashing with Ecuadoran Forces since 26 January.

The possibility of the meeting was made this evening (local time) when 73-year-old Duran-Ballen confirmed he will travel to Cumana tomorrow despite the tense border situation and his frail health.

Meanwhile, the Peruvian Congress authorized Fujimori today to attend the two-day meeting.

Ecuadoran President Duran-Ballen said his country will not accept any negotiation as long as a "total and unconditional" cease-fire is not fully in effect.

Ecuador suspended all its military operations at dawn on 31 January, but Peru has not yet officially declared a cessation of hostilities, the intensity of which dropped noticeably in the past two days.

The Andean summit, which has been scheduled since the end of 1994, will be to commemorate the 200th anniversary of Marshal Antonio Jose de Sucre, the most distinguished lieutenant of liberator Simon Bolivar.

Duran-Ballen Cited on Peru Setting Time for Meeting

PA3101171895 Quito Voz de los Andes in Spanish 1615 GMT 31 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—Ecuadoran President Sixto Duran-Ballen has said he understands the only thing left for Peru to do is set the time for the meeting between the defense ministers of both countries to enforce the cease-fire.

We can be in Brazil now with our heads high, because the Peruvians have accepted that the cease-fire had to be without preconditions and must come prior to us meeting at a table, he has said.

Duran-Ballen added the deputy foreign ministers of both nations in conflict will meet in Rio de Janeiro immediately with representatives of the four guarantor countries of the border treaty; that is, Argentina, Brazil, Chile, and the United States.

Defense Minister Views Cease-Fire With Peru

PA0102055395 Madrid EFE in Spanish 0442 GMT 1 Feb 95

[FBIS Translated Excerpt] Quito, 31 Jan (EFE)—Ecuador will attack only if attacked first by the Peruvian Army, Ecuadoran Defense Minister Jose Gallardo said today.

The minister said the cease-fire in the jungle border region where an armed conflict erupted over disputed territory last Thursday "is automatic as long as we are not attacked." The cease-fire was announced today by Ecuadoran President Sixto Duran-Ballen.

"If we are not attacked, there will be no attacks," the general said several times during a news conference.

Duran-Ballen had told journalists shortly before that there had been "two or three skirmishes" along the border and an incident in a mine field.

Meanwhile, Ecuadoran Foreign Minister Galo Leoro said the cease- fire announced by this country is not "unilateral," as a number of domestic news media had reported. He said: "The announcement came after an acceptance agreement with Peru was put on the table. The agreement was forwarded to Peru via Brazilian Deputy Foreign Minister Sebastiao Dorrego." [passage omitted on background to Ecuadoran-Peruvian border dispute]

Gallardo said Ecuador's casualties since the hostilities began amount to "three dead, six seriously wounded, and seven missing."

According to the general, Ecuador still maintains control of all border areas attacked by Peru.

"We remain in complete control of the Coangos, Tihuinza, Base Sur, Cueva de los Tayos, Etza, Teniente Ortiz, and Soldado Monge Detachments," most of which are located in the disputed region, Gallardo said. The defense minister pointed out that the Etza, Teniente Ortiz, and Soldado Monge Detachyments are far from the source of the Cenepa River, where the conflict is centered, but they were too were attacked.

According to the general, "there were no massive ground and air attacks today as in the previous days," but Peruvian patrols have been detected trying to infiltrate lands held by the Ecuadoreans.

As for protests by journalists because of obstacles in reaching the conflict zone, Gallardo said the Army was trying to protect the lives of the journalists, because in the region "Peru is constantly attacking with mortar fire."

Foreign Minister Views Cease-Fire, Summit

PA3101150495 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 31 Jan 95

[Telephone interview with Foreign Minister Galo Leoro in Quito by Caracol News Director Dario Arizmendi in

Santa Fe de Bogota and reporters Ana Maldonado and Javier Lasso in Quito; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] The Caracol Network has established an international news link. The news of the day on the continent is the Ecuadoran Government's announcement of a unilateral cease-fire and its participation in a summit to be held today in Rio de Janeiro by the guarantors of the Rio Protocol—Argentina, Brazil, the United States, and Chile. Ecuadoran Foreign Minister Galo Leoro will speak to "Caracol's 0600 to 0900" newscast. Good morning, Mr. Foreign Minister.

[Leoro] Good morning.

[Arizmendi] Do you have a reply from the Peruvian Government to the unilateral cease-fire ordered by your country?

[Leoro] It has not been a unilateral cease-fire ordered by Ecuador. This cease-fire has been negotiated with the guarantor countries and, obviously, within the concept of seeking pacification. Countries cannot understand each other through [words indistinct], the use of military means and bombings as has been occurring. We have been victims of incursions, attacks that have claimed human lives, unfortunately, on this occasion.

The fact is the guarantors have presented two documents with proposals. We have accepted in view that the guarantors have assured us this was a solution they found was viable, because Peru was in a position to accept it; therefore, they have intervened so that this participation by Peru will be a reality. [Words indistinct] the cease-fire would take place today at 0800 [1300 GMT] and would become effective at 1200. For its part, Ecuador would attend the meeting to be held this afternoon or this evening with the guarantors in Rio de Janeiro. In addition, the group of observers would be established to supervise the cease-fire.

[Arizmendi] Mr. Foreign Minister, it has been officially reported Peruvian Deputy Foreign Minister Eduardo Ponce left Lima for Rio de Janeiro this Tuesday to participate in a meeting with the guarantors of the Rio Protocol. Has Ecuador decided who will attend and has that person left Quito for Rio?

[Leoro] Yes, the Ecuadoran deputy foreign minister, Ambassador Marcelo Fernandez de Cordoba, should be leaving for Rio de Janeiro at noon.

[Arizmendi] For the Ecuadoran Government, how many people have died in these skirmishes?

[Leoro] I do not have an idea in this regard [words indistinct] the Defense Ministry.

[Arizmendi] With the meeting of the guarantors of the Rio Protocol group, is the possibility of mediation by the OAS being eliminated?

[Leoro] No, no. You know the OAS has also issued a resolution in which a cease-fire is established although it is waiting to see the results of the efforts by the guarantors. In no way is the OAS excluded. The Ecuadoran Government's position is that we will seek peace through the [words indistinct] systems to continue until we find formulas and means that will lead to a more broad and lasting solution.

[Arizmendi] Ecuadoran Foreign Minister Galo Leoro, is it foreseen that the topic of reactivating the joint demarcation commission, which has practically not been working since 1948, will be addressed at this meeting of the guarantor countries of the Rio Protocol or at the OAS?

[Leoro] No, it is not foreseen. That point is Peru's unilateral position. In our communique agreeing to go there, we stated we will go to seek [words indistinct], but we have not spoken about the commission.

[Arizmendi] Mr. Foreign Minister, we thank you for being with Colombia's Caracol Network and with Ecuador's Radio Centro.

We have on the line journalist Ana Maldonado, of the "News Today" newscast, who wants to ask you the following question in this broadcast by Caracol of Colombia and Radio Centro of Ecuador for the audience of the entire Latin American continent. Go ahead Ana.

[Maldonado] Thank you, Caracol Network. Good morning, Mr. Minister. We want you to explain in detail to the audience of the "News Today" newscast if this morning you have had any news [words indistinct] the cease-fire beginning at 1200, in 45 minutes. What are the exact terms under which Ecuador accepts the cease-fire, and what [words indistinct] the cease-fire involves the postmobilization or the halting of the deployment of troops to the border with Peru?

[Leoro] [Words indistinct] The cease-fire involves more than ceasing this fire; it also involves all military or nonmilitary actions that threaten or beleaguer peace in one way or another.

[Arizmendi] We are talking with Ecuadoran Foreign Minister Galo Leoro over Colombia's Emisoras Caracol Network, Ecuador's Sistema Radio Centro and its 39 affiliates, and Caracol Miami. We now invite William Restrepo and the companeros from Caracol Miami to join this continental broadcast and ask questions on the cease-fire agreed on by the guarantor countries of the Rio Protocol and the governments of Peru and Ecuador. This cease-fire was convened earlier this morning and will begin at 1200. William Restrepo from Caracol Miami.

While we contact Caracol Miami, we again want to pose a question to Ecuadoran Foreign Minister Dr. Galo Leoro. What is expected from today's meeting with the guarantors of the Rio Protocol?

[Leoro] Pardon me, I did not hear the last part of your question.

[Arizmendi] Yes, what is expected from today's meeting with the guarantors of the Rio Protocol?

[Leoro] This is an issue we will have to see. It is an open situation, because the members of... [pauses] the guarantors of the Rio de Janeiro Protocol have invited us. We have said we agreed to meet to search for a solution to the various aspects that have occurred, to the incidents that have occurred, and we want to move forward toward the search for definite solutions if possible; this point does not mean, however, the issue has to be left up to the guarantors, because the OAS became aware of this issue yesterday as you can see. In addition, it exceeds the functions of the guarantors, because there have been incidents which fall under the OAS Charter, which could fall under the UN Charter, or which could be prone, as we have been describing this incident, to an arbitration by the holy see or his holiness the pope. All these possibilities are means to find a solution to the big problem.

[Arizmendi] Mr. Foreign Minister, were we to set a schedule for the peaceful solution to this confrontation between Ecuador and Peru, what are the steps that will be taken following the cease- fire, which will begin at 0800, as you already said?

[Leoro] This process begins with this afternoon's meeting in Rio de Janeiro. It is an issue that has to be subjected to conversations. We will be holding a meeting today; this meeting constitutes the first step to resolve an undetermined number of processes. I am in no position to discuss this process beforehand.

These issues demand, as you know, that the two parties accept [words indistinct]. I do not know what is going to happen. I hope today's meeting, once the cease-fire is achieved, because the Ecuadoran President, the government, and I have decided the cease-fire is the basic condition for us to sit at any negotiations table. [sentence as heard] We have achieved this point; we have achieved this point. It could not be any other way, because you may consider that it is absurd to establish a negotiations table while our fellow nationals are being killed and while bullets keep flying around. We could have never accepted this situation. By doing this the way I am describing to you—I can see you are already aware of this way—it is the only acceptable, logical, and humanly necessary procedure to follow, because the [words indistinct] are at stake, and we must save them first.

[Arizmendi] Mr. Ecuadoran Foreign Minister Galo Leoro, what does your country know about a study the Peruvian Government assigned a few months ago to the U.S. Western Geophysical Company, which is headquartered in Dallas, Texas? According to what Caracol Network was able to learn, this study has found out the conflicting border area and the area surrounding the Cenepa and Maranon Rivers could be a region very rich in oil.

[Leoro] I am unaware of this document. I have heard something about it, but I am unable to talk about it.

[Arizmendi] Do you believe the Peruvian Government's intentions to tap these riches, which were discovered recently by the investigations conducted by this company, could be the core of the problem?

[Leoro] It is possible this element adds to the problem [words indistinct], but the problem dates back to 1948. It is an old problem linked to the unenforceability of the Rio Protocol in this region.

[Arizmendi] We are talking to Ecuadoran Foreign Minister Galo Leoro. This is an inter-American and continental broadcast by Colombia's Caracol Network, Ecuador's Radio Centro and its 39 affiliates and "News Today" newscast, and Caracol Miami.

William Restrepo from Caracol Miami's international news center. William, Foreign Minister Leoro and Ecuador's Radio Centro are listening to you. William, William. Well, we now have Ana Maldonado who will ask the last question, because the Ecuadoran foreign minister has to leave. Ana Maldonado.

[Lasso] No, this is Javier Lasso. Mr. Foreign Minister, this is a question not only for Ecuador but for the entire world. Certain international dispatches are reporting on a unilateral cease-fire declaration. I want you to explain to the entire world whether the two parties have agreed to this cease-fire.

[Leoro] The document establishing the cease-fire reads [words indistinct] if you excuse for one minute. The thing is we have accepted the cease-fire through the foreign deputy minister who is in charge of the Brazilian Foreign Ministry. He, on his own, has committed himself to make this cease-fire a bilateral reality. So, Peru has also decided to cease the fire in another declaration, which did not set a date and time for the cease-fire. The fact is we moved forward by bilaterally setting, in a clear and pertinent manner, a date and time; that is, at 0800. Indeed, the cease-fire will begin today at 1200.

Ministry Accepts Creation of Guarantor Countries Commission

PA3101164095 Quito Voz de los Andes in Spanish 1440 GMT 31 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] A news bulletin from the Foreign Ministry states the following:

An important Malaysia [as heard] Foreign Ministry official has said he was surprised by statements by Peruvian President Alberto Fujimori that neither the United Nations nor the OAS has the authority to intervene to find a solution to the warlike conflict that has emerged between Ecuador and Peru. This is the bulletin from the Foreign Ministry:

Foreign Minister Galo Leoro Franco held talks yesterday with the ambassadors of Brazil, Chile, and the United States and with the Argentine charge d'affaires to Quito to reach an understanding regarding the proposals made by their respective governments on the serious border problems between Ecuador and Peru. As a result of these talks, the Foreign Ministry has issued the following document:

The Foreign Ministry, with the authorization of President Sixto Duran-Ballen and interpreting the Ecuadoran people's feeling that peace between the states, particularly between neighboring states, is essential for development and well-being, reports:

Having received from the guarantor countries of the 1942 Rio de Janeiro Protocol information addressed to Ecuador and Peru on 27 January, as well as their declaration of the same month, making proposals aimed at trying to resolve the grave border problems that have arisen this month, and after holding talks with Quito accredited diplomatic representatives of the already mentioned countries, I issue the following communique:

1. I highly appreciate the efforts the governments of Argentina, Brazil, Chile, and the United States have been carrying out to overcome this dangerous situation;

2. To agree with Peru, through the mediation of Brazilian acting Vice Foreign Minister Sebastiao do Rego Barros, that a cease-fire and the cessation of all military and nonmilitary activities that could be viewed as a threat or provocation be declared at 0800 Quito time on 31 January 1995 and become effective at 1200 that same day, the Foreign Ministry also accepts the creation of a commission comprised by the four guarantor countries whose task will be to cooperate with representatives of Ecuador and Peru so that it can oversee, as an observer, compliance with the cease-fire and other activities mentioned in the previous paragraph.

4. [number as heard] According to the invitation made by the already mentioned countries, Ecuador will send Ambassador Marcelo Fernandez de Cordoba, secretary general of the Foreign Ministry, to the high-level diplomatic meeting to be held on 31 January in Rio de Janeiro so as to avoid a repeat of situations as the ones already mentioned and also to reestablish the [word indistinct] to find solutions to existing impasses.

Envoy to OAS: Meeting Must Take Place Immediately

PA3101192095 Quito Voz de los Andes in Spanish 1700 GMT 31 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Blasco Penaherrera Padilla, Ecuadoran ambassador to the OAS, has said there is no other serious threat or worse risk to the organization's integrity itself than war between nations involved a conflict. He has said the foreign ministers consultation meeting must take place today immediately, because the obligation to preserve life as well as to prevent any further increase in those issues that cause anguish and a craving for revenge is at stake; therefore, according to the ambassador, there is no reason why the talks should be delayed or postponed. Any likely delay would only deter an arrival to any viable and permanent solution to the conflict.

Penaherrera has said, in light of these facts and considerations from the ambassadors and permanent representatives themselves, the Ecuadoran Government has decided to request an immediate convening of the highest OAS body, the foreign ministers consultation meeting, to carry out its responsibility in compliance with obligations categorically assigned by Article 60 of the OAS Charter.

Congress President Rejects Peruvian Conditions

PA0102044295 Quito Voz de los Andes in Spanish 0311 GMT 1 Feb 95

[FBIS Translated Text] Ecuadoran Congress President Heinz Moeller has said that Peru is making the implementation of the cease-fire at the border conditional upon the withdrawal by Peruvian and Ecuadoran Armed Forces to 8 km from the border limits. Moeller said he learned with amazement this afternoon that the Peruvian Foreign Ministry began trying to make the cease-fire conditional upon the withdrawal of up to 8 km by Ecuadoran and Peruvian Armed Forces from the minimum positions that Ecuador has maintained. We will not do it, he said.

Notification of this development was received from the Brazilian Foreign Ministry, which is chairing the meeting of guarantor countries of the Rio de Janeiro Protocol.

Moeller said he has asked the administration of President Sixto Duran-Ballen to request an urgent meeting of OAS foreign ministers so that mechanism can begin to function, because truthfully—and as much as it hurts to say so— things are getting worse instead of better. That is the harsh reality, Moeller stated.

In a separate statement, a military source at the border said Peruvian airplanes have repeatedly violated Ecuadoran airspace, overflying Ecuadoran positions in the Condor Mountain Range.

Congress Commission Head Advocates Vatican Mediation

PA3101212495 Quito Voz de los Andes in Spanish 1948 GMT 31 Jan 95

[FBIS Translated Text] Andres Vallejo, president of the Congressional National Defense Committee, has stated that a cease-fire is indispensable to securing a resolution that will resolve the conflict experienced by Ecuador as a result of the Peruvian aggression. Vallejo claims that until the parties agree to lay down their weapons, it will be impossible to find a real solution to the conflict. That is why all Ecuadoreans hope there will be a cease- fire for the good of the country. We hope the negotiations in Rio de Janeiro will be handled well so a just and reasonable solution can be found to the border conflict.

Vallejo said that hopefully, Eduardo Ponce, former Peruvian ambassador to Ecuador [current Peruvian deputy foreign minister], is not involved in the handling of such a resolution. Ponce did not complete his term in Ecuador but apparently is still managing the issue in the same way, Vallejo declared. He added that the only real possibility of reaching a definitive solution to the problem is through the arbitration of the Vatican, as was requested by former President Rodrigo Borja during his administration. Ecuadoreans are united around this idea, which has received international support. Therefore, it is likely that given the moral authority of Pope John Paul II, his mediation may secure an end to this conflict.

Andres Vallejo stressed the importance of the intervention of international observers in the border conflict, because if there is no impartial control, it will be difficult to get Peru to implement the cease-fire. Therefore, the intervention of the international community is fundamental, he added.

Vallejo said the request for the meeting of OAS foreign ministers can remain under consideration and, in keeping with such a request, a mission be appointed to oversee the fulfillment of the cease-fire, he concluded.

Welfare Minister Explains Purpose of Economic Measures

PA3101195795 Quito Voz de los Andes in Spanish 1700 GMT 31 Jan 95

[Report by Marco Antonio Bravo]

[FBIS Translated Text] Social Welfare Minister Alberto Cardenas has pointed out that the economic measures announced by the government are aimed at strengthening the national economy, mainly to help face the current national emergency caused by the border crisis between Ecuador and Peru. The social welfare minister stressed that most social programs will remain unaltered and that [words indistinct].

Let's listen to Social Welfare Minister Alberto Cardenas as he comments on the issue of social programs, most of all on the economic measures and how they might or might not affect the country's social sector.

[Begin recording] [Cardenas, in progress] ...everything that is a drain on resources will be [words indistinct]. We have been and still are committed to the struggle against poverty, since it does affect the population. In addition, this conflict in which we are involved could have a negative impact on the social, economic, and even physical sectors. Therefore, I believe it advisable to ask God for guidance in solving this problem.

[Bravo] Will some social programs now be cut?

[Cardenas] We have not yet studied the budget figures or what will be cut. We hope the conflict will be solved in the short term so that major cuts won't have to be made, especially in the social sector.

[Bravo] Do you have a message for the country?

[Cardenas] Well, we urge the Ecuadoran people to remain united. Today more than ever Ecuador has proven its unity and its strength. Better yet, let us all trust in God and hope that the situation will come to an adequate and definite solution. [end recording]

Monetary Board President: Cease-Fire Calms Markets

PA3101200895 Quito Voz de los Andes in Spanish 1700 GMT 31 Jan 95

[FBIS Translated Text] Economist Ana Lucia Armijos, president of the Monetary Board, has come to Government Palace. In order to calm fears about the country's financial system, Armijos said:

[Begin recording] [Armijos] [Words indistinct] by the government to face this emergency [words indistinct] difficult austerity to maintain the economic program. The measures will generate [words indistinct] which will permit us to face this [words indistinct]. This logically requires resources that were not budgeted. Therefore, the measures [words indistinct]. It will not be necessary to modify the economic program, and we will continue to use the 1995 budget.

I think the news we have received [words indistinct] and the news on the cease-fire bring a great deal of tranquillity to the market. This morning we had a reaction different from the one we had yesterday to the situation in the foreign exchange market. We have done a great job in preventing a foreign exchange crisis, using the instruments of the monetary authority.

I think we have overcome a difficult crisis, which has been dealt with responsibly. The results have been positive, and we hope there is more calm. The public believes that there is no need to withdraw its deposits. The best place to keep one's deposits is in the financial system, not outside of the system [words indistinct].

[Unidentified reporter] Economist, how much money will these economic measures produce and for how long?

[Armijos] Listen, some of the economic measures are not temporary. An example of this is the reduction of [words indistinct] resources from collections made by banks from eight to four days. This is a permanent measure. [passage indistinct] I do not know the total amount. In any case, these financial resources will permit us to confront this crisis and not to undermine the program [words indistinct].

[Reporter] How much is this war costing every day?

[Armijos] I do not have that information.

[Reporter] [Words indistinct]

[Armijos] No way. We have adopted the measures... [pauses] We thought these measures over before adopting them. These measures will somehow burden on the entire people, all levels and economic agents. [passage indistinct]

[Reporter] How will the transportation tax be collected?

[Armijos] I think [words indistinct] once the National Congress approves [words indistinct] the tax could be paid in any bank. [Words indistinct] and drivers will be given a sticker they should place on their cars.

[Reporter] [Words indistinct] the liquidity of the national financial sector is very important, and I think you should issue a plea to the people in this regard.

[Armijos] I think that the macroeconomic stability we have achieved, the positive results after 24 months in office, have shown they have a strong foundation. This macroeconomic strength will permit us to overcome a difficult moment like this.

[Reporter] [Words indistinct] inflation continues at predicted levels?

[Armijos] We have not adjusted this year's macroeconomic goals. I believe that within a few hours the director of the Statistics Institute will report on inflation. I think it is a bit higher than what we had predicted, but this is the result of the circumstances we have experienced.

[Reporter] How could we neutralize the loss of foreign currency at a time when speculation, either external or internal, in bad faith or in good faith, might occur?

[Armijos] I think that when there are emergency situations like the one we have just overcome, it is logical to think that there may be anxiety. But the general manager and I have asked the people to remain calm, to act with prudence. We asked them not to make hurried decisions that will only risk their movements in the market and create greater instability. I think we did the right thing to resolve this crisis. We will continue with the same economic program. We have overcome a crisis that could have become a foreign exchange crisis [words indistinct].

I would ask the citizens who at a specific time of anxiety went to the banks to withdraw their deposits to return said deposits to the financial system. That is where they should be.

[Reporter] Does the adoption of these measures, within the framework of the emergency situation, indicate that the monetary reserves of the country are being used in this war?

[Armijos] No way. What we needed were financial resources in sucres to pay for these expenses. These measures will generate the fiscal revenues that will allow us to pay for said spending. [end recording]

Confederation of Indian Nationalities Demands Cease-Fire

PA3101195895 Quito Voz de los Andes in Spanish 1741 GMT 31 Jan 95

[Report on a communique issued by the Confederation of Indian Nationalities of Ecuador; place and date not given—read by announcer]

[FBIS Translated Text] The Confederation of Indian Nationalities of Ecuador, Conaie, has demanded a cease-fire. All forms of violent aggression to satisfy personal or group interests have been rejected by the Indian peoples of Ecuador, Peru, and other countries of the continent. The history of the border conflict between Ecuador and Peru has demonstrated that armed confrontations have been used as a mechanism to divert the people's attention and to conceal the grave level of crisis to which the ruling misgovernments have taken us. We cannot allow our peoples and territories to again be the victims of these conflicts imposed by certain social sectors.

Conaie wishes to state the following:

First, more than 300 communities in the area of the military conflict are being directly affected at this time. These are Indian communities that have not been given attention by any government. Second, our Indian brothers are enlisting in the Army to defend their way of life, contributing their thorough knowledge of their territories, a clear example of which is the sacrifice of a son of our community, soldier Pilco Chango, from Tungurahua Province.

The Indian and non-Indian peoples of Ecuador and Peru are not involved in the war decisions. That reason is why our reaction is exclusively in defense of life. It is important that the diplomatic efforts to demand the cease-fire be focused on the institutions that have the power to halt the confrontations, such as the UN Security Council, the OAS, the guarantor countries, and the friendly countries that can jointly take our request to the United Nations. We should also not forget the mediation of other organizations. We demand that this opportunity be used to end the territorial dispute through peaceful and lasting means.

Military Forces Said Afraid Peru To Resume Attacks

PA3101200995 Quito Voz de los Andes in Spanish 1745 GMT 31 Jan 95

[FBIS Translated Text] Ecuador began implementing a unilateral cease-fire today, but in view of the silence by the Lima Government, the military forces are afraid Peru will resume the attacks against a detachment in the Amazon border area, which has not been delimited. Even though an Ecuadoran Foreign Ministry communique has stated a cease-fire had been agreed upon through the Brazilian acting deputy foreign minister, the Peruvian Government has remained silent in this regard.

Joint Command: Action in Conflict Area Decreases

PA3101202695 Quito Voz de los Andes in Spanish 1945 GMT 31 Jan 95

[Report by Edwin Chamorro]

[FBIS Translated Text] The Joint Command of the Ecuadoran Armed Forces informs the country in its Official Bulletin No. 10, dated 31 January 1995:

1. During the afternoon of 30 January 1995, combat actions in the conflict area decreased considerably, but the following incidents occurred. Beginning at 1225, Peruvian forces insisted on their attacks against Ecuador's Lieutenant Hugo Ortiz Military Detachment. They exchanged fire until late in the afternoon, without altering the position of our forces or inflicting casualties on our personnel.

Peruvian patrols launched an incursion in the Tihuinza River area at 1600 and were later repelled. This clash resulted in one soldier being injured among our ranks. He was evacuated by air and discharged by his unit's commander.

Fire was exchanged at 1630 between patrols located near the Ecuadoran military detachment of Coangos. No casualties were reported among our personnel.

2. The Ecuadoran Armed Forces will repel any attack on their detachments and position and will remain vigilant throughout the border.

No clashes have been registered during the morning of 31 January, and the Ecuadoran Armed Forces are maintaining all their detachments and positions.

Joint Command of the Armed Forces.

Official: Peru Failing To Comply With Cease-Fire

PA0102130895 Quito Voz de los Andes in Spanish 1200 GMT 1 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] An Ecuadoran officer deployed to the border area has said Peruvian planes have repeatedly violated Ecuadoran airspace as they overflew detachments along the Condor Mountain Range. Lieutenant Colonel Jose Melchan, the official spokesman for the Condor Jungle Brigade, has told journalists that Peru is failing to comply with the cease-fire and that the overflights of its planes above the area of conflict are forcing Ecuadoran troops to remain in their trenches.

Meanwhile, the Ecuadoran Armed Forces reported yesterday that Peruvian attacks continued at the border. Peruvian planes repeatedly violated Ecuadoran airspace as they overflew detachments along the Condor Mountain Range. A mine reportedly went off as a Peruvian patrol sought to penetrate national territory at the source of the Cenepa River. Ecuadoran patrols, which still remain at our country's military posts, repelled all these attacks.

Tension Said To Ebb Following Declaration of Cease-Fire

PA0102133995 Quito Voz de los Andes in Spanish 1200 GMT 1 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Tension ebbed yesterday in Ecuador and Peru following the declaration of a cease-fire of hostilities at the border. Yesterday, the guarantor countries of the Rio de Janeiro Protocol welcomed Marcelo Fernandez de Cordoba, Ecuadoran foreign relations deputy minister, who will begin holding peace negotiations with his Peruvian counterpart.

Air Force Airplane Crash Reported

PA3101161395 Quito Voz de los Andes in Spanish 1508 GMT 31 Jan 95

[Report by Yolanda Marina de Aguilar; from the "Radio Club" program]

[FBIS Translated Text] I learned this morning of an airplane accident that occurred yesterday. A T-33 airplane of the Ecuadoran Air Force, FAE, crashed yesterday at 1205, killing the crew, Lieutenants Jack Garzon and [words indistinct] Darwin Diaz Guzman. I express my deepest condolences to the FAE, an institution that I admire, because I have a son serving in that institution. He serves my fatherland, Ecuador.

According to an FAE report, the airplane experienced a mechanical failure. The ejection system did not work properly due to the low altitude when the crew tried to eject from the plane. The site of the accident is called (Barbastillo), near the port of Manta.

'At Least 31 Soldiers' Die at Border

PY3101232995 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 31 Jan 95

[FBIS Translated Text] Ecuador has announced a unilateral cease-fire at the border with Peru that went into effect today at 1100 Brasilia time. Thus far the Peruvian Government has not officially responded to the Ecuadoran cease-fire.

At least 31 soldiers have died since fighting started on 26 January. Peruvian troops continue to arrive in the Amazon jungle region disputed by Ecuador and Peru.

The Peruvian Armed Forces claimed to have taken Ecuadoran surveillance posts.

Despite proposing a cease-fire, Ecuadoran President Sixto Duran-Ballen said he will not surrender territory he considers to be Ecuadoran in exchange for peace.

'Two-Faced' Peruvian Policy Observed

95SM0169B(INTERNET) FOREIGN MINISTRY GOPHER in Spanish 31 Jan 95 p 1

[Commentary from Quito EL COMERCIO 28 Jan 95 p A4]

[FBIS Translated Text] 28 January 95—After several suspicious incidents armed clashes finally broke out between Ecuador and Peru. Such a tense, troubled situation is regrettable, as it is very far removed from the relationship that is to be expected between two countries that long for stability and development.

Ecuador's repeated denunciations of infiltration and provocation culminated with the unacceptable presence of a Peruvian patrol almost directly behind Ecuadoran Army posts in a zone that Ecuador has controlled for decades. A very dangerous skirmish ensued.

Our neighbor has taken a two-faced approach during the most recent fighting. Its diplomatic circles, including the foreign minister, have denied the facts, and while offers of a dialogue and normalization were being made, its patrols and aircraft continued their incursions into Ecuadoran territory and air space.

Ecuador seeks peace, as its government officials and military commanders have repeatedly stated. In recent years, not just recent days, however, Peru's ongoing policy has been to make gradual advances into unmarked zones, eventually creating the provocation that led to the clash the day before yesterday.

We should once again point out how damaging a belligerent attitude can be to countries that require all their resources to meet their many needs. Let us hope that international organizations and the guarantors can prevent the conflict from escalating.

In the meantime, Ecuador must once again demonstrate unity in difficult times, as a wide range of sectors have advocated. It is time to support the government and the military, while wishing for a return to tranquillity and creative peace.

Peruvian 'Manipulation' Seen in Border Flare-up

95SM0169A (INTERNET) FOREIGN MINISTRY GOPHER in Spanish 31 Jan 95 p 1

[Article from Quito EL COMERCIO 30 Jan 95 p A4]

[FBIS Translated Text] Quito, 30 January 1995—The unpleasant commemoration of the Rio de Janeiro Protocol, signed in 1942, coincided yesterday with a fierce attack by Peruvian forces in the southeast. Was it really just a coincidence or was it part of a plan?

The trouble began in December when a Peruvian officer sent the message that Ecuadoran soldiers had to leave the Upper Cenepa. Later, in January, there were two incidents triggered by the presence of a patrol in the same zone. Finally, another group was helicoptered in, unquestionably as a provocation because it was stationed in places that Ecuador had controlled for decades.

These were the events leading up to yesterday's attack, which the Ecuadoran Army resisted. It took place just as the 53d anniversary of the signing of the protocol that has so damaged relations between the two countries was being remembered.

It bears repeating that political and social problems may very well be having an impact here. This perspective should not be ruled out. There are signs, however, that the incident was manipulated in this way to serve as a regrettable reminder of what was signed but has not yet been executed. Ecuador feels uncomfortable even with a simple commemoration of the protocol, but it is well aware of the military gap, and hence there are no justifiable suspicions that the problem began in our country.

Naturally, it behooves the two countries to achieve a definitive solution. This is a logical goal during an era of integration that had been unfolding within the framework of a new relationship. But there will be no rapprochement as long as such episodes are being instigated. In the meantime, what is required is more vigorous and decisive action by the guarantor countries, to which Ecuador has been appealing for several days.

Paraguay

Police Arrest Alleged Lebanese 'Terrorists'

PY3101122095 Asuncion NOTICIAS in Spanish 31 Jan 95 p 38, 39

[FBIS Translated Text] The police arrested five alleged terrorists during a surprise raid on 30 January. They may be part of the group that attacked the AMIA [Argentine-Israeli Mutual Association] building in Buenos Aires (RA) [Argentine Republic]. They had rented a house for a month and were using it as a hideout. Various types of ammunition and traces of drugs were also found at the house. It is believed they were planning a large attack. The fact that they might also be drug traffickers has not been rejected. They entered the country illegally.

Judge Carlos Monges signed the order on 30 January authorizing members of the Intelligence Department of the National Police, supported by the Narcotics Division and the FOPE [Special Police Operations Force] to raid a luxurious house that was inhabited by alleged Lebanese fundamentalists. The house is on the corner of Padre Gonzalez and Agustin Yegros Streets in the Virgen del Rosario neighborhood [of Asuncion].

The inhabitants of the house were ordered to come outside. When they did not obey the police order, warning shots were fired. Having no other alternative, the inhabitants of the house began to come outside, where they were arrested. The alleged terrorists were handcuffed and identified, according to confiscated documents, as Mohamad Hassan Alayan (41), Lebanese, with temporary residence in Ciudad del Este [Paraguay]; Roberto Ribeiro Ruiz (22), Brazilian, domiciled in Foz do Iguacu [Brazil]; Johnny Moraes Baalbaki (24), Lebanese with Brazilian citizenship; Luis Alberto Nader (22), who lives with Baalbaki in Italy but who has temporary residence in Foz do Iguacu; and Valdirene Vieira Ferjuglia (23), Brazilian, domiciled in Foz do Iguacu. This young woman had a plane ticket for Brussels (Belgium) via Madrid (Spain).

They all entered the country illegally and surreptitiously. Police found in their possession samples of heroin or cocaine, Austrian, Italian, and Spanish credit cards, plastic welding material [soldadores plasticos]—an insulating material—that they had presumably bought recently in large quantities, several negatives, magnum 3.57 and 39 mm [as published] shells, videos on drug trafficking, and dismantled telephones in a bag.

A photograph of the arrested persons standing next to a mosque was also found. The arrested persons, who presumably speak Spanish, Portuguese, English, and an Arab dialect, refused to give any information to the police. The investigation is in the hands of Enrique Martinetti and the police will now check the identities of these persons with their Interpol counterparts in several European countries.

The arrested persons may be part of the group that perpetrated or participated in the criminal attack against the AMIA building in Buenos Aires some months ago. They may also have been preparing large attacks, or have been involved in drug trafficking activities.

Confusion, Disagreement Predominate Mercosur Customs Union

PY3101170195 Asuncion NOTICIAS in Spanish 29 Jan 95 p 16, 17

[FBIS Translated Text] The Mercosur [Common Market of the South] customs union is nearly a month old but the problems that block trade operations continue. Businessmen are confused due to a lack of knowledge of the new rules of the game, customs officials allow the passage of perishable foodstuffs due to the lack of a decree approving technical norms, and the two partners (Brazil and Argentina) which are accustomed to imposing conditions are now violating obligatory agreements. These have become the main characteristics of integration.

Free trade among Mercosur countries will be a month old on 30 January yet confusion reigns in all sectors, especially in the business sector. Violations by Argentina and Brazil and a lackadaisical approach by the executive branch—which has not yet signed the decree approving the technical norms—figure on the agenda among other important topics.

Local businessmen have found themselves faced with changed rules for which they were not prepared. The lack of information has also confused customs officials who are accustomed to implementing practices that are condemned by the decent population, allowing the entry of Argentine foodstuffs to the detriment of national production.

The executive branch, which is preoccupied with political and military problems, curiously has not signed the decree to harmonize the technical norms of Mercosur.

This situation affords chances that customs officials always seek to allow the passage of perishable foodstuffs, among others, thus submitting the local consumer to permanent danger due to the lack of information regarding the definition of the ingredients, food additives, production aids, and contaminating factors, also the provision of all these details in the Spanish language.

Argentines, who are champions at creating problems according to one Integration Ministry official, continue to charge tariffs that should have been eliminated in accordance with the commitments that have been assumed by the four countries, thus causing difficulties for Paraguayan trade to that country.

In a demonstration of prepotency, Brazil has also violated the agreements. It applied taxes on the exportation of its raw materials but not on the exportation of its manufactured goods, thus submitting the incipient local industry to an untenable position.

Peru

Fujimori Expected To Announce Recovery of Territory, Border Posts

PY3101180495 Lima Radio Programas del Peru Network in Spanish 1635 GMT 31 Jan 95

[Report by Jorge Fernandez from El Milagro military post, in Bagua, with Radio Programas anchorman Gonzalo—live]

[FBIS Translated Excerpt] [Anchorman Gonzalo] Jorge Fernandez has gone from Chiclayo to Bagua, in Amazonas, very near El Milagro military base, from where troops and materiel for safeguarding our border are supplied.

Let us listen to the details. Jorge, we are in contact with you.

[Fernandez] We are reporting directly from the El Milagro military base. How do you hear me? I can hear you perfectly.

[Gonzalo] We can hear you perfectly, over, we are listening to you.

[Fernandez] Good morning Gonzalo, good morning Monica, good morning Peru. The journalists who made it to El Milagro base are still hoping General Nicolas Hermoza Rios, the chief of the Armed Forces Joint command, will grant us an interview. However, a high-ranking officer at this base has told us that although he has consulted the president, Gen. Hermoza Rios cannot upstage the president of the Republic who, at 1800 [2300 GMT] this afternoon—according to what he personally announced—will address the nation. This speech will allegedly focus on the full recovery of the border posts invaded by Ecuadoran troops during this attack, this new attack, with which they tried to humiliate us. It was also stated that there is great expectation at El Milagro base because supplies and war materiel continue to arrive and there have been no reports of casualties so far at El Milagro base. This base is the center of all operations in the disputed area. Gen. Hermoza Rios remains in contact with Government Palace and the high military command in Lima while the media await the latest information that the El Milagro officers can supply us. [passage omitted]

[Gonzalo] Do you have any information from military sources about the conflict zone or are you awaiting something? Are there any rumors?

[Fernandez] As I have already said, there is absolute secrecy but we have heard that fighting continued throughout the night—this is unofficial information—and the Army, our fellow patriots, our soldiers have evicted the invaders and we have fully recovered our border. As a high-ranking officer here at El Milagro told us, the president of the Republic will probably announce this at 1800.

[Gonzalo] Jorge, I was going to refer to this unofficial information because, as you have already said, there is no official information but we must know what is happening. Have the posts taken over been fully recovered or are there still some points of resistance or is there a post that must still be recovered?

[Fernandez] Some helicopters carrying paratroopers have left Chiclayo. It was leaked that the paratroopers may be used to consolidate the recovery of the posts. But, I reiterate, in his address to the nation the president of the Republic will say whether they have been fully recovered because this is the spirit, the desire that prevails here. Everyone here, with a victorious look on their face, with good spirits, await the address to the nation and especially here, at El Milagro base, where chiefs, officers, volunteers, are commenting on the ordeals experienced to reach this good ending. We are, undoubtedly, full of pride and satisfaction over the fact that our national territory that had been trampled on, invaded by part of the Ecuadoran Army, has been recovered.

[Gonzalo] There is great expectation regarding President Alberto Fujimori's address to the nation because there has not been an official announcement, despite the communiques. We ask this question because a few hours ago the Ecuadoran Foreign Ministry issued a communique unilaterally proposing an unconditional cease-fire and we want to know how this information was received at your location.

[Fernandez] What has been stated here flatly is: We have recovered the border. The president of the Republic will announce that this afternoon. We want an interview with Gen. Hermoza please. Gen. Hermoza cannot upstage the president of the Republic who will address the nation at 1800 this afternoon. This is the latest information, this is what journalists here were told outright.

[Gonzalo] Then it has been said that the border was recovered. This means the military operation has been successful. Thank you very much for the information.

[Fernandez] We will be in contact as required.

Government Prepares System for Reporting on Conflict

PY3101171495 Madrid EFE in Spanish 1604 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—It was reported today that the Armed Forces Joint Command is preparing a system for allowing national and international media greater access to official information on the conflict in the military zone between Peru and Ecuador.

EL COMERCIO reported today that Colonel Roberto San Juan, public relations director of the Armed Forces Joint Command, said that official information on the military conflict in the northern border region will continue to be released through an official communique until decided otherwise.

San Juan said: "President Alberto Fujimori and the chief of the Armed Forces Joint Command will decide when to change the current policy."

Since the armed conflict between Peru and Ecuador began, there has been criticism from both Peruvian and international journalists regarding the secrecy on information from Peruvian officials.

In the five days since the conflict began, only five communiques have been released by the Armed Forces and the Foreign Ministry, and President Fujimori on only two occasions has referred to the conflict.

Ecuador, meanwhile, has released more than 20 communiques and Ecuadoran President Sixto Duran-Ballen has spoken about 12 times.

Today, hours after the cease-fire decided by Ecuador began, the Peruvian Government has not yet released an official declaration.

Fujimori Meets Media Directors; 'Absolute Secrecy' on Issues Discussed Meeting Between Fujimori, Media Directors Continues

PY3101233795 Lima Radio Programas del Peru Network in Spanish 2324 GMT 31 Jan 95

[FBIS Translated Text] The meeting between President Alberto Fujimori and the directors of the main communications media continues at Government Palace. The meeting has been going on for approximately two hours so far, and there is absolute secrecy concerning the subjects under discussion.

There is no information concerning the message that President Fujimori is expected to release tonight, either.

Meeting Ends; No Fujimori Speech

PY0102010695 Lima Radio Programas del Peru Network in Spanish 0016 GMT 1 Feb 95

[Relay by Patricia Etchegaray, from Government House]

[FBIS Translated Text] Good evening. The Government House meeting between President Alberto Fujimori and the directors of the main media has ended.

[Begin recording] [Luis Vargas] The most important thing Fujimori said is that Peru is about to achieve an important diplomatic feat because Ecuador is about to accept to sit at the negotiating table within the framework of the Rio de Janeiro treaty. This would indeed be an important feat after 35 years.

[First unidentified reporter] How have the directors of the media reacted to this? What will be their attitude?

[Vargas] Well, the same attitude we have always adopted in similar cases, that is, full support. The president has also denied that 20 Peruvians were killed. The only Peruvians who were killed were the five crew members of the helicopter hit by a missile.

Moreover, the president has expressed his intention of achieving a peaceful solution to the conflict, and noted that military operations continue at this time.

[Second unidentified reporter, in progress] ...regarding the handling of the information on the issue. Will censorship continue?

[Vargas] There is no censorship.

[Several questions indistinct]

[Vargas] No kind of [words indistinct] only full freedom of expression, which the media are exercising.

[Reporter] Will there be more information available from now on?

[Vargas] I am not aware of any official communiques, but the president will not deliver a message to the nation today out of respect for the meeting that the guarantor countries are holding in Rio de Janeiro with our representatives. [end recording]

That was Luis Vargas, vice president of Frecuencia Latina, Channel 2. He has confirmed that contrary to what had been announced previously, President Fujimori will not speak to the nation tonight.

Moreover, we would like to inform you that Foreign Minister and Prime Minister Efrain Goldenberg has just arrived at Government House and that right now he is holding a private meeting with President Alberto Fujimori.

Government Maintains 'Total Silence' on Cease-Fire

PY3101123295 Madrid EFE in Spanish 0706 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—The Peruvian Government is maintaining a "total silence" on the Ecuadoran Foreign Ministry announcement, at dawn today, of a cease-fire and a halt of all military activities between the two countries. Neither the Foreign Ministry nor the Government Palace answered calls by EFE seeking reaction to the announcement.

The news surprised Lima journalists who were preparing to close today's editions or who had just finished their news programs.

Sources in Quito have stated that the cease-fire starts at 0800, 1300 GMT, but will become effective four hours later, as of 1200, 1700 GMT. Quito and Lima share the same time zone.

Peruvian Charge in Quito Denies Cease-Fire Rejection

PY3101214995 Madrid EFE in Spanish 2054 GMT 31 Jan 95

[FBIS Translated Text] Quito, 31 Jan (EFE)—Vicente Rojas, minister counselor and charge d'affaires of the Peruvian Embassy in Quito, stated today in Quito that the Peruvian Government has not yet considered the cease-fire, thus "categorically" denying reports that his country does not agree with the cessation of hostilities.

The report that Peru does not agree with the ceasefire "is not true, because the Peruvian Government has not yet made any statement on the matter," Rojas said in a communique.

In his communique, Rojas said that the Peruvian Foreign Ministry, through him, wants to deny those reports.

Rojas is the highest-ranking official at the Peruvian Embassy in Quito, because by mid-1994, Ambassador Eduardo Ponce assumed the post of deputy foreign minister in his country, and for this reason Ponce is today representing Peru at the meeting being held in Rio de Janeiro by the two nations in conflict and the four guarantors of the treaty that established the Peru-Ecuador borderline in 1942.

Reports on Cease-Fire Received 'With Satisfaction'

PY0102031795 Madrid EFE in Spanish 2337 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—Peruvian diplomatic and political circles have received "with satisfaction" reports on the Peruvian commitment to uphold a cease-fire in the armed conflict it has maintained with Ecuador since 26 January.

After a meeting in Brazil, the four guarantor countries of the Rio de Janeiro Protocol—Argentina, Brazil, Chile and the United States—reported today that the Peruvian Government has announced its commitment to uphold a cease-fire with Ecuador.

Ecuador had already announced before dawn today its decision to uphold a unilateral cease-fire which was enforced as of noon today local time (1700 GMT).

Peruvian Foreign Ministry and Government House sources in Lima have told EFE that the decision adopted by Peru and Ecuador is "good news" that was welcomed "with satisfaction."

The media in Lima also gave extensive radio and television coverage to the report in their afternoon newscasts.

A communique on the decision of the guarantor countries of the Rio de Janeiro Protocol is expected in Lima tonight but its terms are not known.

It is still not known how Peruvian military officials will give information about the cease-fire to the troops stationed on the Amazon border, in the Condor Mountain Range and in the Cenepa River area, where harsh combat has taken place in the last few days.

According to observers, about 30 men were killed on both sides in this combat, and there were an unspecified number of injured and prisoners.

There is great expectation in Lima about a message that Peruvian President Alberto Fujimori is expected to issue tonight over radio and television, but this has not been confirmed by official government sources. The speech was announced, however, by several radio networks today.

Lima Stock Exchange Suffering 'Profound Drop' Due to Crisis

PY0102062095 Madrid EFE in Spanish 0036 GMT 31 Jan 95

[FBIS Translated Text] Lima, 30 Jan (EFE)—According to stock exchange analysts, the Lima Stock Exchange today recorded a profound drop in its indicators as a result of the uncertainty affecting investors due to the armed conflict between Peru and Ecuador, which began on 26 January.

The general index was established today at 1,087.8 points, which means a drop of 8.01 percent, the deepest decline since 10 January, when a drop of 8.42 percent was experienced, caused by the Mexican economic crisis.

The analysts said that expectations of high interest rates in the United States have also contributed to the negative situation in the Lima Stock Exchange, considered one of the most profitable emerging stock exchange markets.

They added that nevertheless, the situation does not mean investors are "running away," and that they liquidated their shares at lower prices. During the stock exchange operations today, the amount of transactions negotiated, which increased to more than $7 million, was scarce, because it reflected a figure that is only half the daily average recorded in December 1994.

There was also a 10 percent drop in most shares, especially in the common ones such as those of the Wiese Bank, the San Juan Beer Company, the National Beer Company, the Buenaventura Mines, the A&B Telephone Company, the Credit Bank and Cementos Lima, and the workers' shares of Cementos Lima, Backus Beer Company, Ceper, Delcrosa, and Fam, among others.

Impact of Border Conflict on Economy Viewed

PY0102064695 Madrid EFE in Spanish 1726 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—The cost of the Ecuadoran-Peruvian border conflict is high. Peruvian economists estimate that the cost of the mobilization of troops and war materiel alone already totals $200 million.

Economic Expert Enrique Obando has stated that so far the Peruvian Government has disbursed more than what was spent in 1981, when similar incidents occurred in the Condor Mountain Range, where 79 km of border are still to be demarcated.

According to Obando, a continuation of the Peruvian-Ecuadoran conflict "may destroy the economies of both countries."

According to his estimates, if the conflict is generalized, it may cost an average of $28 million per day.

Obando said: "Although it is true that the Peruvian Government cannot allow the presence of Ecuadoran troops in Peruvian territory, it is also true that it must avoid an escalation of the conflict because it would have a negative effect on national production, particularly for Ecuador."

He added that these figures do not encompass the cost resulting from damage to be inflicted on the infrastructure of production and communication centers and other vital areas if a total war is declared.

Moreover, sources close to the Peruvian stock exchange market have stated that the conflict with Ecuador was one of the main reasons for the sharp drop in the Lima Stock Exchange.

On 30 January, the Stock Exchange General Index dropped 8.01 percent and the Selective Index 9.68 percent. Although all Latin American stock exchange markets experienced a drop on that day, the Peruvian stock exchange suffered a more drastic drop in activities.

Experts have stated, however, that this does not mean investors "ran away." They added that investors just sold their shares at lower prices.

The volume of transactions on 30 January, which totaled $7 million, was scarce because this is half the daily average recorded in December 1994.

According to a study published today by the Lima newspaper on economic issues, GESTION, Peruvian businessmen have stated that up to the present, the border conflict has not yet had a significant impact on Ecuadoran-Peruvian trade.

Peruvian businessmen warned, however, that if the conflict with Ecuador continues, it may result in a withdrawal of foreign investments from Peru.

Exporters Association (Adex) Vice President Carlos Bruce has stated that Peruvian exports transported by land to Ecuador and Colombia have experienced some delays, particularly fish meal exports to Ecuador and frozen fish exports to Colombia.

Commenting on Ecuadoran-Peruvian trade, Adex President Juan Enrique Pendavis has stated that bilateral trade is favorable to Ecuador. From January to Octobert 1994, Peru exported to Ecuador a total of $49 million and imported $123 million.

Unlike what occurs in Ecuador, the dollar exchange rate in Lima is stable, and has remained unchanged for a full week.

Fujimori Attending National Defense Council Meeting in Lima

PY3101205995 Lima Radio Programas del Peru Network in Spanish 2000 GMT 31 Jan 95

[FBIS Translated Text] The National Defense Council, chaired by President Alberto Fujimori, is meeting at Government House in Lima. Also present at the meeting are cabinet members, Armed Forces high command representatives, and National Police Director General Victor Alva Plascencia.

Unofficial sources have reported that the purpose of the meeting is to assess the current border situation with Ecuador. It has been learned that cabinet members are attending the National Defense Council meeting to endorse the message to the nation that President Alberto Fujimori is expected to deliver tonight.

Goldenberg Briefs Congress on Border Conflict

PY3101231695 Madrid EFE in Spanish 2040 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—Peruvian Foreign Minister Efrain Goldenberg today briefed the Peruvian Congress, which "urgently" summoned him to explain the political decisions adopted by the executive branch to resolve the armed conflict with Ecuador.

During a secret session Goldenberg, who is also prime minister, briefed the Congressional Leadership Council because the Peruvian congress is in recess until April.

A legislative source reported that Goldenberg explained the diplomatic steps adopted by Peru "to enforce the Rio de Janeiro Protocol." The source added that legislators expressed their support for the government's actions.

The source stated that Peru's most important achievement was "to immediately activate the mechanism of the guarantor countries, established in the Rio de Janeiro Protocol to solve disputes among signatory countries."

He was alluding to the meeting today in Rio de Janeiro, which was summoned by the guarantor countries of the Rio de Janeiro Protocol—Argentina, Brazil, Chile and the United States. This protocol, signed and ratified in 1942, established the borders between the two disputing Andean countries.

The Peruvian Congress also summoned Defense Minister Victor Malca, but he has not yet arrived at the Congress building because he seems to be in the area of operations.

Congressman Views Goldenberg Briefing, Border Situation

PY0102030395 Lima Radio Programas del Peru Network in Spanish 2345 GMT 31 Jan 95

[Interview from the national Congress with Democratic Movement of the Left Congressman Henry Pease Garcia by reporter Eduardo Lindo Collante, after Foreign Minister Efrain Goldenberg's meeting with the Congressional Leadership Council—live]

[FBIS Translated Text] [Collante] Congressman Henry Pease, are you satisfied with the report given by the foreign minister on the conflict with Ecuador?

[Pease] I am not satisfied. We still need the report by the defense minister. But this is no time for criticisms. We have achieved a motion of consensus by which it becomes very clear that all political forces represented in Congress are resolutely decided to fight for the same goal. That goal is outlined by the Rio de Janeiro Protocol and by the Peruvian tradition prevailing for many decades to solve this conflict: demarcating the border. This is our firm decision and reflects our interest in peace. This is no time for evaluation; we are going to evaluate the failures in the government leadership, but this is the time for confirmation that we demand from the international community and from the guarantor countries a solution within the framework of the ruling of [words indistinct] and of the Rio de Janeiro Protocol.

[Collante] Has the foreign minister reported on the current situation in the border zone, for instance, on the issue of whether the invading troops have already been evicted?

[Pease] Yes, we do have some reports on this, although they are incomplete. We still have to wait for the defense minister's report. But I can say that the Leadership Council has accepted my initiative to be in continuous session. We are thus going to follow up what is happening to support all actions Peru needs to take to defend its territorial integrity and the international legal system expressed by the Rio Protocol.

[Collante] It was just learned that an agreement was reached in Rio de Janeiro for a cease-fire between Peru and Ecuador. Both countries have agreed to accept a cease-fire. How do you view this agreement, Mr. Pease?

[Pease] I understand that in diplomatic terms Peru must respect the Rio treaty, and this of course demands that what is decided at the foreign ministers' meeting must be respected. But the question I, like all Peruvians, ask is whether they have already evicted all the invaders from our territory. This question has not yet been answered.

[Collante] There were other questions as well, like authorizing the trip of President Fujimori to Venezuela. Was it approved?

[Pease] Yes, with exception of the vote against it by the minority group, because on this matter—well, I like history, and I cannot forget this fact—the only case when a president had to leave the country in a war situation was that of Mariano Ignacio Prado. I believe the president must not leave the country, but he should in this case if there is a margin of possibility of reaching an agreement if the two presidents go....

[Collante, interrupting] Yes, the Ecuadoran president is also going. We have already learned this information.

[Pease] Well, you will be certain of that report when the Ecuadoran president actually is there, because one of the characteristics is that there are comings and goings at the foreign ministries. In any case, we Peruvians must be firm and act together in the defense of our territory and the international legal system. But we must also ask the government to provide full information on what is happening, because we do not yet have a clear view of what is going on in the northern border region.

Goldenberg Comments on Cease-Fire, Location of Ecuadoran Troops

PY0102020695 Lima Radio Programas del Peru Network in Spanish 0009 GMT 1 Feb 95

[Report by Eduardo Lindo Collante on news conference by Foreign Minister Efrain Goldenberg in Lima on 31 January—recorded]

[FBIS Translated Text] Efrain Goldenberg, foreign minister and president of the Council of Ministers, has said that no commitment has been adopted yet concerning a cease-fire with Ecuador, taking into account the fact that the meeting of vice foreign ministers has not yet begun. He said that the Ecuadoran vice foreign minister is on his way to Rio de Janeiro now. Goldenberg made these remarks during a news conference he held at the end of the Congressional Leadership Council meeting. He said that no organized Ecuadoran troops are found in our territory, only some Ecuadoran soldiers who have stayed behind. Listen to a passage of his news conference:

[Begin Goldenberg recording] The meeting has not yet begun, and the Ecuadoran delegates will arrive at 2230 Rio de Janeiro time. [end recording]

This was his answer to a question on whether a cease-fire or cessation of hostilities was reached.

[Begin Goldenberg recording] Well, it is probable that there may be some soldiers who have fallen behind, or some Ecuadoran elements who might still be in the zone.

[Question indistinct]

[Goldenberg] Well, that would be a unilateral decision as a demonstration of the confidence we have in the activity and possibility that everything will be solved reasonably. But as I just said, everything is subject to the talks that will be held.

[Question indistinct]

[Goldenberg] For Peru it is by no means acceptable that Ecuadoran troops [words indistinct] in Peruvian territory. This is impossible. That there could be some soldiers who have stayed behind is one thing; whether this is acceptable for our country is quite another thing. These are two absolutely different concepts.

[Question indistinct]

[Goldenberg] We are not yet talking about a cease-fire. We are talking about the suspension of military operations, and we must assume that there are no organized Ecuadoran troops within the Peruvian territory. [end recording]

Goldenberg also said that the Peruvian Armed Forces could decide on a suspension of military operations if the talks are led in this way by the Foreign Ministry. He also said that planes and artillery could be withdrawn, including the military equipment placed there to defend the national integrity. The president of the Council of Ministers also denied the reports released in Ecuador about the deaths of 20 Peruvian soldiers in the border conflict. He said that the number of casualties is much lower. He did not, however, give an exact number of Peruvian casualties in this conflict.

He also released a communique issued at the end of the Leadership Council meeting held in congress. The text of the communique states: The national Congress agrees to express its categorical rejection of the aggressive attitude and of the violation of the national territory by Ecuadoran Armed Forces' troops, and of the continuous harassment directed against Peruvian citizens living in Ecuador.

The second point of the six-point document states: To reaffirm its irrevocable commitment in defense of the territorial integrity and of the national sovereignty.

Third, to stress the peaceful inclination of Peru and its objective to maintain friendly relations with Ecuador, based on the absolute validity of the Rio de Janeiro Protocol and of the Diaz de Aguilar arbiter's award.

Fourth, to express our decision to act jointly in this sense, supporting the government actions that will help conclude the demarcation of our border with Ecuador, within the terms of the Rio de Janeiro Protocol and the Diaz de Aguilar arbiter's award.

Fifth, to urge the guarantor countries of the Rio de Janeiro Protocol to actively assume the commitment that corresponds to them to conclude the final and total demarcation of the border in the Condor Mountain region.

Sixth. To declare the Congressional Leadership Council of the Constituent Democratic Congress in continuous session.

This document was signed unanimously by all members of the Congressional Leadership Council

Delegate To Pave Way for Fujimori's Presence at Venezuela Summit

PY3101222995 Madrid EFE in Spanish 1516 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—Vicente Azula de la Guerra, director general of Peru's Protocol Department, will leave today, 31 January, for the Venezuelan town of Cumana, to pave the way for Peruvian President Alberto Fujimori's presence at the presidential summit of the Bolivarian countries.

The summit will be held on 2 and 3 February, in commemoration of the 200th anniversary of the birth of the great Marshal Antonio Jose de Sucre. The presidents of Venezuela, Colombia, Bolivia, Ecuador, and Peru will participate, in principle, in that summit.

It has not yet been officially confirmed whether the Peruvian president will attend, and sources close to Government Palace do not "rule out" or "deny" it.

The Cumana summit will be the first occasion after the beginning of the armed conflict between Peru and Ecuador, and after the cease-fire initiated today by Ecuador, whereby the presidents of the two countries could reach an agreement in a presidential meeting.

'No New Developments' on Front Line

PY3101130695 Lima Radio Programas del Peru Network in Spanish 1222 GMT 31 Jan 95

[Relay from Tumbes by Rosario Rodriguez]

[FBIS Translated Text] Regarding the border incident caused by a northern neighboring country—which prompted an exceptional deployment by the Peruvian Armed Forces of forward detachments, sophisticated weapons, vehicles, and other war materiel, to thoroughly protect our sea, land, and air space in the north—we wish to state that there are no new developments on the front line. The civilian population remains calm awaiting a prompt solution to the border conflict through peace, understanding, and respect for our territorial sovereignty, in compliance with the Rio de Janeiro Protocol.

In the meantime parents with children studying in Ecuadoran universities, who until yesterday were in telephone contact with their offspring, say their current situation is uncertain because they are not allowed to leave that country.

Civilians Evacuated From Ecuadoran Border Region

PY3101173495 Madrid EFE in Spanish 1607 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—A military source reported today that at least 1,000 people—women, children, and the elderly—have been evacuated from Peruvian settlements on the Ecuadoran border in anticipation of an escalation of the conflict. The source said all men who live in the settlements were incorporated into the defense forces deployed along the border.

The evacuation began on 29 January and continued on 30 January despite the fact there were no clashes on 30 January and that an announcement was made of the beginning of official negotiations between Peru and Ecuador in Rio de Janeiro today.

Those evacuated were taken by the Army into "safe" public and private facilities away from the border; they are being helped by volunteers who give them food and take care of their needs.

Armed Forces Said Concentrating on Ecuadoran Border

PY3101205095 Madrid EFE in Spanish 1810 GMT 31 Jan 95

[FBIS Translated Text] Lima, 31 Jan (EFE)—According to military sources in Tumbes, a city on the Ecuadoran-Peruvian border, despite the cease-fire announced today and enforced as of 1700 GMT, Peruvian soldiers continue to arrive at the Ecuadoran-Peruvian border by land, sea, and air.

The Navy reported that it has occupied strategic points on the Peruvian coastline with five missile-carrying ships, helicopters, and anti-aircraft batteries. Six submarines have been deployed to the area where Peruvian territorial waters border Ecuador.

The Marine infantry, supported with elite antisubversive troops, are patroling the Cenepa River area, the site of clashes between Ecuadoran and Peruvian troops.

The Air Force has deployed its planes to Chiclayo, Piura and Tumbes, located on the border with Ecuador.

The Peruvian Air Force (FAP) has British-manufactured "Canberrra" transport planes, A-37 jets, Russian Sukoi supersonic planes, Mirage 2000 French planes, and others.

The Army has also mobilized helicopters, anti-aircraft batteries, and a 120-mm cannon. Moreover, rocket launchers and Russian T-55 tanks have also been deployed.

The Peruvian general headquarters, under the command of General Nicolas de Bari Hermoza, the Peruvian Armed Forces Joint Command chairman, is located in Bagua, in the Amazon department, bordering Ecuador.

According to the newspaper EL MUNDO, Ecuadoran troops have been expelled from all the positions they held in the Cenepa River valley, except for one. The report adds that in other locations, the Ecuadoran troops are surrounded.

According to newspaper reports, nine Ecuadoran soldiers have been captured. It is estimated Peru has mobilized a total of 25,000 men and that Ecuador has detached 40,000 men, about 70 percent of all its troops, to the area.

Hundreds of people evacuated from the dozens of Peruvian towns located in the border, particularly women, children and the elderly, are arriving in Piura, a Peruvian city located 1,000 km north of Lima.

Civil Defense and the social security office are assisting in the evacuation of civilians.

Jacques Demayo, the Red Cross representative for the Peruvian-Ecuadoran border, has conducted an inspection visit to safeguard compliance with the Geneva Convention on civil rights in times of war.

Demayo told the newspaper EL MUNDO that there are Peruvian students in the Ecuadoran cities of Loja and Machala, "and we are trying to protect their lives and ensure their return to Peru."

There is still an almost complete restriction on information in the border area. Moreover, very few radio, press, or television correspondents have been able to reach the nearest point to the conflict area, Bagua, located 80 km from the front.

Soldiers Reportedly Injured by Mines in Conflict Area

PY0102062295 Lima Radio Programas del Peru Network in Spanish 0302 GMT 1 Feb 95

[FBIS Translated Text] At least 20 Peruvian soldiers were reportedly injured in the last few hours when they encountered minefields as they were trying to recover Peruvian territory occupied by Ecuadorans in the area of conflict.

Russia To Continue Selling Arms to Peru

PY3101174095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1627 GMT 31 Jan 95

[FBIS Translated Text] Moscow, 31 Jan (AFP-NA)—Russian Foreign Ministry spokesman Grigoriy Karassin announced on 31 January that Russia will continue its arms deliveries to Peru "while following the developments within the region" and respecting international laws.

In the past few years Russian-Peruvian military and technical cooperation remained suspended because Peru did not pay its debts.

Pavel Felgenhauer, Russian newspaper SEVODNYA miltary expert, said new contacts were established between Peruvian and Russian experts on 9 January as a consequence of the border conflict with Ecuador.

"The delivery of Russian weapons can continue while we follow the developments within the region and respect international laws," Karassin said.

The Peruvian Air Force is equipped with Russian weapons. The Air Force has 30 Sujoi-22 planes and 15 MiG-25 attack helicopters.

The Peruvian Army has 300 Russian T-54 and T-55 tanks, although only 50 of them are still running, according to the latest edition of MILITARY BALANCE.

Uruguay

Sanguinetti Document Details Administration Goals

PY2701182295 Montevideo EL PAIS in Spanish 20 Jan 95 pp 8-9

[Document entitled "Bases for Dialogue in the Search for a National Government" presented by President-elect Julio Maria Sanguinetti to opposition parties]

[FBIS Translated Text] We must implement a very deep process of change in our country in order to face recent changes in the world scene, the strong process of regional integration, and the new styles of international competition. This process must acquire, naturally, a profile proper to Uruguay's political, social, and cultural evolution, because it is no longer possible to automatically transfer formulas used in other scenarios and societies to our reality. A desire for change, imagination, the efforts of national society, and the national spirit of political groups are required for this arduous work to be successful. Reality demands that understanding be reached in order to obtain congressional majorities capable of providing the needed efficiency and agility to the state.

I. Political Reform

During the present administration all political groups agreed on the need to reform the political system with constitutional amendments, parties' legal regulations, and changes in the electoral system. This conviction is stronger today. The current scheme of electoral distribution shows there is need for new mechanisms capable of making democratic institutions more efficient.

It is then essential to define the needed goals more clearly. They will be what guides the study of possible solutions to existing problems. Many of the goals have already been discussed during this administration. They are still valid, and will not be reiterated here. Other goals appear with a new profile. We describe some of them here:

1. We must necessarily begin a process of political reform during 1995. Experience indicates that the possibility of finding objective understandings is more difficult when we get closer to electoral periods.

2. The parity of political groups' strength in the country increases the risk of congressional blockades, or at least increases the difficulties in implementing government programs. Even if we do not change the principle of proportional representation that is traditional in our system, it is essential to give the party with the responsibility of ruling the country some corrected representation to improve its capacity to reach agreements.

3. The reforms could be implemented by stages. Some of them should be implemented immediately, others could be implemented after the 1999 election, and still others could be implemented in the following period. This system introduces a useful flexibility that helps in coming to agreements.

4. The need to give the head of state a broader representation leads us to think of a system of runoff elections. The new system could have various forms, which must be studied further.

5. The dynamics of today's society demands more efficient legislative work. The not so successful practice of urgent laws requires changes so as to make the legislative branch more obliged to vote on them.

6. The executive branch veto should be overridden only in exceptional circumstances, particularly when we deal with bills requiring spending. It is advisable to raise the number of votes necessary to override a veto.

7. In order to make the reform of the electoral system more flexible, we need to approve the majority of current dispositions dealing with the law's constitutional base. Today it appears to be a need, as a matter of consistency, to restrict the accumulation of sublemas in congressional positions. Consequently, the vicious practice of "copied" lists as an indirect means to achieve accumulation should be definitively eradicated. It is also essential to stress the need to submit lists when running for elective positions, because the natural plurality of democratic life loses its character in anarchical fragmentations. The so-called "third vote counting" continues to produce distortions and unjust consequences in departmental representations. Its elimination is advisable. Another issue in the current area of representation is the demographic electoral distribution. Current schemes make possible the election of 60 percent of all deputies in only two districts, which makes citizens feel separated from their representatives and feel that they really do not represent them. It would be advisable to divide Montevideo and Canelones, without hurting its departmental unity, into smaller districts according to regions or neighborhoods.

8. It is indispensable that the legislation on political parties approved, taking as a basis the draft bill already passed by the Chamber of Deputies, and revise it in order to guarantee parties' democratic internal life and internal discipline, without which their role as articulators of public opinion weakens.

From the point of view of the proceedings, we suggest holding meetings to discuss political reform as early as possible. These meetings would involve a limited number of delegates of participating parties. This commission should be united in its efforts to find the needed consistency between constitutional norms and electoral laws. We propose approving a constitutional law, given its greater agility, if parties reach the necessary understanding to implement constitutional reform.

II. The Reform of the Social Security System

The ratio between GDP and social security expenditures in Uruguay is one of the highest in the world and is unsustainable in the near future. Uruguay's actuarial debt (i.e., the actuarial value of what Uruguay owes to present and future pensioners) is at present the largest in the world. The current pensions ceiling system, as well as that for calculating pensions based on the income made during the last three years before retirement, constitute an invitation to fraud and tax evasion as it gives rise to an underestimate of earnings in one's income tax return during most of one's working life, and an overestimation of income during the last three years before retirement. It is therefore of paramount importance to effect a reform that gives current pensioners assurance for the future, enables the working population to have a better system, and eases the burden of the social security system on the country's economy so as to have resources available for other social investments.

The incoming administration proposes a social security reform—the main characteristics of which have already been disclosed—according to the following guidelines:

1. A welfare system imbued with solidarity, similar to the current old age pension scheme, and targeted to those who have no financial resources when they get to a certain age. The allowance would be granted in terms of the beneficiary's needs even if the latter had not paid the required contributions to the pension scheme.

2. Social insurance with a ceiling for pensions (adjusted pursuant to the Constitution, in terms of the average wage index) and a ceiling for contributions, which should be proportional to the amount established for the pensions ceiling.

3. A complementary capitalization system (optional or mandatory), the objective of which is to provide members of the system an additional pension higher than the one they would be entitled to according to the social security system, but which will have a ceiling established by the same complementary capitalization system.

The proposed reforms, which will entail adjustments in the system currently in force, will be phased in, and therefore will not affect those persons who have already acquired the right to a pension. These reforms will necessarily have to take into account trends in population growth and their implications.

When the new pension scheme becomes effective, those citizens under a certain age (between 30 and 40) who are already contributing to the current pension scheme will be able to opt for either system. There will be a transition system that will acknowledge the acquired rights under the current scheme.

The loss of contributions made to the basic social security system stemming from the implementation of the new system will be to a great extent offset by the incidence of the following factors: less tax evasion; an upturn in economic activities; compulsory purchase of government securities by companies and institutions participating in the capitalization system; sale of nonessential government assets; revenues obtained from the possible partial privatization of state-owned enterprises; and foreign aid.

III. Education Reform

Education, as a training and instruction process, todays demands major changes having to do mainly with the system of transmission of values, which must be enhanced in order to develop a modern democratic society capable of taking upon itself the potentials of scientific and technological progress as well as the meaning of the exercise of civic liberties and responsibilities. The following are the objectives in the social and pedagogic areas:

1. Search for social equity in the development of preschool children.

Most children four and five years old who are currently enrolled in nursery schools—approximately 25,000 children—belong to families that lack both material resources and schooling.

Given the fact that the greatest development of one's abilities is achieved during early childhood, one of the priorities of the next administration is to promote having preschool learning progressively encompass children four and five years old.

2. Enhancement of actual learning by school children belonging to families that lack material resources and schooling.

Twenty percent of the pupils at public schools do not internalize the information and skills included in school curricula because they come from families having very limited vocabulary and a poor cultural background.

The time devoted to socialization at school—an average of two hours per day per year—is insufficient for making up for the shortcomings children have at home. In industrial countries, all children stay in school for over eight hours, and the school year lasts between 190 and 200 days.

The establishment of full-time schools, especially in poor areas, should therefore constitute a priority.

3. Improve the quality of education with national evaluations of the instruction through objective exams at the end of the primary school, junior high school, and high school periods.

The implementation of national exams with a widespread dissemination of the results will allow the public to periodically inform themselves about the overall situation of the primary and secondary levels of education in the country and the degree of effective instruction that has been achieved.

The evaluation system for the primary level has been incorporated into the World Bank-ANEP [National Public Education Administration] Agreement, and will be implemented and expanded to include the junior high school and high school levels.

4. Conversion of the 7th and 9th years into a common junior high school cycle.

The junior high school level must be reformulated so that it becomes generic and adapted to the explosive growth of enrollment within the middle level of the educational system. This cycle must encompass fewer subjects than are currently given and be limited to the basic subjects. This has the intention of ensuring that the students will effectively assimilate the minimum of knowledge and skills in accordance with their age that are necessary in order to undertake the following stages of their lives in the labor market or in the technical or higher levels of education.

5. The training of teachers.

Seventy percent of the new teachers in Montevideo and 80 percent of the new teachers in the interior entered the educational sector without a qualifying professional title.

A dynamic training program for teachers will be implemented with the implementation of training centers for teachers in the interior, the renewal of the existing network of training institutes for teachers, and the renewal of the Artigas Teachers Institute into a level for training teachers for the other institutes and for the diversified high school diploma. Through this channel the functional career of the teacher and improvement in the teacher's salary will be linked to his participation in training programs and updating.

6. The incorporation of the visual image into the educational sector.

Video libraries will be created in lyceums and other establishments with the objective of incorporating the visual image into the educational sector and disseminating high quality programs as a support or as parallel education. In order to do so, the new cable television network and public and private organizations will be taken advantage of for the production of educational material and cultural extension.

7. Computer training for young people.

A national training project in computers will be undertaken with scope similar to the effort that was made in the country's literacy campaign, with the intervention of society as a whole and with active participation by the public and private sectors.

8. The joining of the technical education sector with production centers.

The larger part of the system of technical education is not linked to enterprises or productive centers. The country's main industries do not have educational centers to train specialized workers and supervisors. Some of the increasingly important spheres in the agro-industrial sector, such as the rice and citrus fruit producers, lack an appropriate educational system.

A systematic effort will be made in the training of teachers to teach courses for technical personnel, and support will be given to schools of administration, thus seeking a close link with chambers and productive sectors with a view to the implementation of policies for professional training in production centers.

9. The diversification and generation of cadres with a greater specialization within the high school level.

Colleges do not want the existence of pre-university specialization at the high school level.

Today there is no sense in limiting academic specialization to high school diplomas in science, biology, or humanities and using the last year of high school as a pre-university year.

The high school system must create experimental cycles within a diversified high school system that will attend to the most varied range of skills, aspirations, and expectations of young people without necessarily limiting their future options or impeding their access to the various colleges.

10. Decentralization and technical organization of the ANEP.

A. Modernization of the administration.

Currently the administration, which includes 360,000 primary students, 200,000 high school students, and some 60,000 students attending technical schools, is channeled through three councils and central services in Montevideo. The system channels the educational process in each locality of the Republic to educational centers that depend on three different jurisdictions.

Administrative units will be created in each department, and there will be at least four of them in Montevideo that will include specialized services charged with the educational system as a whole within their jurisdictions. The post of inspector of education (departmental in the interior and sub-departmental in Montevideo) will be created, and he will have ample administrative powers.

B. Training center for educational administrators.

The personnel that carry out directive, administrative, and supervisory tasks in the central service, the new educational inspectorships, and in the directorship of schools will be trained at a special center.

11. The attributions of the Education and Culture Ministry.

The educational reform requires the revision and strengthening of the functions of the Education and Culture Ministry. The current legal framework must be used to the utmost. If this cannot be, then the functions of the ministry must be increased in such a way that it will be able to carry out three main tasks:

A. The functions of programming, defining, and articulating the great overall guidelines that the educational system must be given at all its levels;

B. The normative function of analysis and proposals in the matter of organization and functioning of the teachers and research organizations; and

C. The function of following up and evaluation of educational policies.

In the field of academic and research education, whether or not this be at the university level, priority will be given to all organizations and mechanisms that establish a solid articulation with the productive apparatus and the labor market.

IV. State Reform

The proposals on state reform seek to improve the state's administration, decentralize its activities, and reduce its size.

1. Improve the state administration.

We intend to introduce the concept of "total quality" in the state administration through, among other things, the following mechanisms: elimination of unnecessary bureaucratic steps and requirements, training of employees, redesign of administrative processes, incorporation of the concept of "tacit approval" at the end of reasonable terms for the appropriate authority's express pronouncement, and the elimination of discrimination, in time and costs, against citizens coming from the country's interior.

Each public function unit will have to elaborate and fulfill an Annual Plan for Improving the Administration and adapt it to the Model for Continuous Improvement elaborated by the National Quality Committee. This supposes, among other things, implementing an effective system for the evaluation of users and employees' suggestions; and periodically measuring the performance of each administration unit, taking into account their success in satisfying users demands, personnel training, planning, service quality, impact on society and the environment, and other similar criteria.

2. Decentralization.

We propose a short and medium term decentralization process that must include, among other measures, the following: the definition of a legal framework for the decentralization of the decisionmaking process and the administration, including the central administration, departmental governments, autonomous entities and decentralized services; and, second, the design, implementation and dissemination of a decentralization program ("National Decentralization Program") with concrete goals for the next administration.

3. Reduction in the state's size, privatizations, breaking of monopolies, and deregulation of private activities.

We propose to implement a policy of not filling vacancies, except for those in the Armed Forces (after determining the number of employees necessary to fulfill a function), the executive police, teachers, personnel directly employed in public health services, and essential positions, which will have a very restrictive ceiling. The gradual reduction in numbers of public servants will permit better salaries for those who remain on duty.

The restrictive policy on vacancies will be complemented, among other things, by the following measures: the easier "horizontal" movement of employees between different departments; the elaboration of work and service contracts to fulfill unpostponable temporary needs; and the implementation of a system to encourage employees' early retirement that will include training courses and other actions to facilitate their transition to the private sector.

The policy and main measures on reduction of the state's size will be contemplated in the Budget Law and the Laws on Budget Accounting.

Privatizations, the breaking of monopolies, and the deregulation of certain private activities will be part of policies and measures that aim at reducing the state's size. The following guidelines are proposed:

A. The privatization of activities that affect national sovereignty and security should not be included;

B. Avoid transforming a state monopoly into a private monopoly, except in exceptional cases and when maintaining the quality of the service demands a volume of investments that the state cannot afford.

C. Break the monopolies of state activities that can develop with competition.

D. Deregulate aspects of private sector activities (hours, shifts, movement and/or location limitations) which without affecting workers' acquired rights can facilitate companies' development and improve their service to consumers and users. It is very important to offer Small and Medium Size Companies (PYMES) a flexible system in order to encourage their development and permit the normalization of the situation of informal workers.

4. People's Defender.

A bill will be proposed creating a "People's Defense Secretariat" as a control organ that is not under the public administration's jurisdiction, and whose main responsibility is defending the rights and guarantees established in Section 2 of the Constitution and the individual rights established in incorporated international agreements.

While the law is being studied, the executive branch, with the advice from the Council of Ministers, will designate a citizen of unquestioned civic reputation and acceptable to the main political forces in the country to immediately assume functions similar to those of a "People's Defender."

The "People's Defender" will receive citizens' complaints and will carry out investigations on possible violations of citizen's rights within the executive branch.

All executive branch departments will be obliged to give the "People's Defender" their full cooperation or suffer the most severe administrative sanctions possible.

The conclusions and recommendations of the "People's Defender" will be broadly disseminated.

V. Public Security

The new administration wants to raise the threshold of public security in the country without hindering the rights and guarantees established by the Constitution. It is necessary to assure public tranquility, giving special attention to the prevention and repression of crimes committed in association or organizations created for the purpose of breaking the law, such as those dedicated to drug trafficking, robbery, contraband, white slavery, theft, car robbery, and other activities implying clear danger and violence. In order to achieve this goal we must implement several actions simultaneously, including:

1. A shortening of penal trials. The reforms to the penal process will emphasize oral trials and the creation of special courts and prosecutors to face organized crime. Special prosecutors will be empowered to take over the direction of primary investigations in cases involving organized crime, in coordination with police units specialized in preventing and repressing these crimes. We could start from the 1989 bill elaborated by the national commission that operated under the jurisdiction of the Education and Culture Ministry.

2. The elimination of pre-inquiry secrecy in order to benefit and protect the person being investigated, except for special situations expressly ordered and founded by the hearing judge or acting prosecutor.

3. The application of the principle of prosecution's participation, even in the decision to try someone, thus separating the judging function from the accusing function.

4. The approval of some amendments to the Penal Code, particularly those necessary for:

—establishing the crime of unauthorized possession of a gun;

—establishing the action of covering up as an independent crime, punishing separately those who cover up for the "actual criminal," particularly habitual ones. This will serve as an additional instrument for fighting organized crime.

—establishing effective penalties for the crimes of threatening and bribing;

—establishing that the fact of being the victim's police is an aggravating circumstance in some crimes;

—extending preventive measures and applying alternative punishment in the case of crimes that are not serious;

—abolishing the characterization of crimes involving sexual or domestic violence as personal rights, thus opening the possibility of direct investigation by the prosecutor's office.

5. The introduction of amendments to the Children's Code to make possible, in special circumstances, for a minors judge to order the imprisonment of especially dangerous youngsters of under 18 years of age, with INAME's [National Minors Institute] assistance.

6. The improvement of the jail system. In this area we propose:

—to maintain the prisons system under the jurisdiction of the Interior Ministry, but at a special and independent level;

—to implement special proceedings for the selection and training of jail personnel;

—to give resources to the Liberated Former Inmates Patronage;

—to effectively classify inmates, separating habitual and dangerous criminals or members of criminal organizations from the other inmates. For this to be possible it will be necessary to have maximum security installations for inmates in the first category, keeping the concept of an open jail only for first-time offenders who have not shown dangerous tendencies.

We propose to immediately organize a work group made up of representatives from various social organizations, independently of the adoption of the measures mentioned above, to examine prison problems and recommend short, medium, and long term solutions.

7. The upcoming administration intends to work for the reorganization and professionalization of the police force, encouraging their members and strengthening the institution's image in public opinion. To this effect we intend, among other things, to propose the following administrative and legislative measures:

—the creation of specialized units to face organized crime in all forms;

—the approval and implementation of a Crystal Law [reference unknown] for high-ranking officers;

—the creation of an Ethics and Discipline Committee with duties complementing those of the existing National Police Prosecutors' Office;

—the implementation of a housing policy for police personnel directly involved in the fight on crime;

—the strict application of norms on recruitment and promotions;

—the upgrading of the position and functions of the national police inspector and the Police General Staff, revitalizing the Women's Police Station;

—the creation of a Special Juvenile Brigade, in cooperation with INAME, with trained personnel;

—the revision, together with the Supreme Court, of practices relating to police functions in the judicial branch;

—the effective application of United Nations norms on the use of arms by the police;

—the strict control and regulation of private security systems.

8. An intensification of preventive and educational campaigns on drug consumption.

9. An analysis of the possibility of implementing an assistance program aimed at helping unprotected and

poor victims of certain crimes, complementing psychological and social assistance with a system of immediate economic compensation, within limits to be determined.

VI. Economic Reform

Programmatic documents that were disseminated in the past offered a general view of the elected government's guidelines on social and economic development. They should be seen as the necessary framework for the definition of the new administration's greater objectives.

This is particularly necessary because at this time it is very difficult to speak about specific measures that were not already included in those documents. There are several reasons for this. The economies of Mercosur [Common Market of the South] member countries are going through important adjustment processes, which are added to the latest events produced by the Mexican crisis and its repercussions on Latin American stock markets, foreign investors' attitudes, and international interest rates. On top of all this we still do not have accurate figures on the national economy's performance during 1994. We must also point out that recent negotiations within the framework of Mercosur established precise tariff and non-tariff limits for the next stages of our regional integration. The unregulated margin is narrow, and possible actions will depend on how the country and our partners insert their economies into the new regional reality.

We must also reiterate that transition periods between different administration are always characterized by a degree of uncertainty. We have repeated several times that our country should not expect sudden changes. Any announcement by the new administration on concrete measures could start an undesirable process of adaptation by economic agents. Economic stability is a value in itself. We will look after it fervently so that it may become the consistent framework for a reform process pointing toward sustained development with the greatest possible equality. This is indispensable for developing a permanent process aimed at reducing poverty and marginality.

Although Uruguay's competitiveness with regard to its two main Mercosur partners has improved of late, the same argument does not hold good in the case of the other countries in the world. What is more, the recent improvement in Uruguay's competitiveness in relation to Argentina and Brazil is, to a great extent, due to the current economic situation, as our country has not made all the necessary domestic adjustments to reduce production costs and hence improve its competitiveness on more sound and permanent foundations.

The poor competitiveness of Uruguay's production at home and abroad is evinced in two very revealing indexes: While everything seems to indicate that Uruguay's GDP grew by 18 percent in the five- year period from 1989-1994, the production of goods only increased by 3 percent in the same period.

In light of the current structure of relative prices, the competitiveness of our industrial and agricultural apparatus hinges on the continuation of the inflow of capital into our neighboring economies and on the reversal of the deterioration in the fiscal accounts our country registered in 1994, which is estimated at 3 percent ($540 million) and which, projected into 1995, may stand at 3-3.5 percent (between $540 and $625 million).

Remedial action is, therefore, necessary in fiscal accounts. The stabilization of the economy is not compatible with a fiscal deficit and growing public debt.

The fiscal policy that the incoming administration intends to pursue seeks to curtail government spending and to implement tax measures that do not render the loss of competitiveness of productive sectors more acute. The central elements in this equation are the reform of the social security system and a productivity improvement scheme that strikes a reasonable balance between wage hikes and the creation of new jobs, especially in modern sectors.

Tax reform should be geared to correcting the distortions affecting productive sectors. In order to do this, it is of paramount importance to ease the burden of heavy taxation that penalizes the use of public services (rates) as well as the use of other domestic production factors (capital, land, and labor). This should be achieved by means of a three-pronged strategy—a better allocation of direct taxes currently in force; a larger participation of those taxes, which according to GATT and Mercosur's regulations, may be refunded upon exportation; and the incorporation of the informal sector into the formal one by furthering a special system for small and medium-scale enterprises.

VII. Integration Policy

Some of the agreements reached recently in the [17 December] Ouro Preto summit within the Mercosur framework may require congressional approval. If this is so, true to its stance that Uruguay's integration into the Mercosur constitutes a state policy, the incoming administration is confident that Congress will ratify these agreements by a large majority, thanks to the support of the leading political forces.

As Mercosur's tariff and exemption systems for all goods have already been negotiated, the incoming administration is therefore entitled to fully exercise its powers, which it intends to do in the following areas:

A. Everything that has to do with the total dismantling of non-tariff barriers by all Mercosur member countries, in keeping with the commitments made.

B. The formulation and implementation of policies and instruments that effectively protect Uruguay from unfair competition in trade.

C. The adoption of measures to offset those policies and practices of giving tax refunds or reimbursements furthered by countries within or outside Mercosur that exceed the limits permitted by GATT and Mercosur's regulations.

D. The adoption of measures that offset the effect of measures that Mercosur member countries may implement to divert exports of commodities that Uruguayan industry uses, providing that the said measures affect the competitiveness of our domestic production.

E. The efficient and prompt implementation of safeguard regulations provided for in the Mercosur agreements whenever it is proven that tax refund or diversion policies and systems that are contrary to the spirit and the letter of the said accords have caused damage to Uruguayan production.

The careful monitoring by the government of all Mercosur member countries' foreign trade policies, systems, and practices, and assessments of their effects on the flows of trade that may affect our country, require more and better-trained technical and human resources devoted to Mercosur strategic issues as well as those pertaining to the business cycle.

The incoming administration will formulate and implement a policy on the selective support of those sectors that give proof of their ability to operate efficiently and competitively and to adjust to the conditions that will prevail in Mercosur as of 2001.

The newly elected government is fully aware of the fact that Mercosur issues cannot be tackled independently of other government measures and initiatives aimed at creating the necessary conditions to enable the country to compete in a better way within the region, namely, the reform of the social security system, the formulation of new financial instruments, credit policies, the amendment of labor laws, the furthering of medium and long-term productivity agreements, educational reform, the retraining of the work force, information about the tax system, and technological innovation and its dissemination.

VIII. The Scope of This Document

As was stated above, the newly elected government will abide by the programmatic guidelines the political forces that supported it have publicly adopted. Those programs include not only the main aspects of the nation's duties and concrete proposals in many cases, but also the incoming administration's views on the country. The present document mainly seeks to point out some aspects that the incoming administration considers to be pressing and a priority, and which require the agreement between parties having representation in Congress. This means that there are other basic issues that are not included here, simply because they would not require any political agreements at the moment. If some of these questions need to be addressed in particular, they will constitute the basis for future dialogue, which this presentation—which we repeat does not seek to deal exhaustively with all subjects—intends to establish.

Venezuela

Ecuadoran Mission Asks President To Intervene in Conflict

PA3101183295 Caracas Venezolana de Television Network in Spanish 1550 GMT 31 Jan 95

[From "The News" newscast]

[FBIS Translated Text] Miraflores Palace was the site of another meeting last night. An Ecuadoran mission asked the Venezuelan president to intervene in the armed conflict between Ecuador and Peru. The Ecuadoran embassy to date has continued its preparations for the arrival in Venezuela of President Sixto Duran-Ballen. The border problem between these two South American countries will be an ineludible topic at the Cumana summit.

The Ecuadoran delegation stated at the end of the meeting it was satisfied with the Venezuelan Government's support for its proposal to settle the conflict in the OAS Permanent Council:

[Begin Ecuadoran Ambassador to Venezuela Ximena Martinez recording, identified by caption] Ecuador has requested a meeting of the OAS consultative body so that this case will be examined at the continental level in accordance with the OAS Charter and the procedures for the peaceful resolution of controversies. [end recording]

The diplomatic mission formed by representatives of the Ecuadoran Supreme Court, Congress, and the Quito municipality have stated the Ecuadoran people want the reestablishment of peace and the delimitation, with exactitude, of the borders between both countries:

[Begin Francisco Acosta Yanez, former Ecuadoran energy minister, recording, identified by caption] We are open to any formula or solution that will prevent anything from happening to the downtrodden people of our countries, because they are the ones who suffer the most in a war. [end recording]

Foreign Minister Cited on Ecuadoran-Peruvian Conflict

PA3101234795 Caracas EL NACIONAL in Spanish 31 Jan 95 p A-6

[Report by Gioconda Soto]

[FBIS Translated Text] Venezuelan Foreign Minister Miguel Angel Burelli Rivas stated yesterday that if war breaks out between Ecuador and Peru, Venezuela will take the position of a brother who will try to separate the parties and stop the fight. He said he "was absolutely certain that this would not lead to a war."

"We are not judges and we cannot take sides. We are but a brother to Ecuador and Peru," the foreign minister said when asked about the conflict that concerns all the Bolivarian countries just two days before the Cumana

Summit. The summit is being held to commemorate the bicentennial of patriot Antonio Jose de Sucre's birth. Burelli Rivas' statements were made as he was leaving the Venezuelan Red Cross 100th anniversary celebration at the Tamanaco Hotel.

The foreign minister is confident that the presidents of Peru and Ecuador will go to Cumana. He said the summit should be an excellent opportunity for reconciliation. Burelli Rivas did not deny that the issue "would be discussed in all the talks at Cumana" because of its importance.

Despite the wishes of the foreign minister, an IPS Agency cable reported from Lima yesterday that it was possible that President Fujimori might cancel his participation in the Cumana Summit "because the border conflict with Ecuador demands the presence of the president in the country." It also reported that the Peruvian Congress will debate today whether to authorize the president to leave the country to go to Cumana.

In terms of Ecuador, according to Ximena Martinez de Perez, the head of its diplomatic mission in Caracas, the embassy was still preparing for President Duran-Ballen's arrival yesterday.

Peruvian Mission: Government Wants Peaceful Solution

PA3101190195 Caracas Venezolana de Television Network in Spanish 1500 GMT 31 Jan 95

[From "The News" newscast]

[FBIS Translated Text] The Peruvian diplomatic mission in Venezuela said its government desires peace and wants a peaceful solution soon. The chief of the Peruvian diplomatic mission in Venezuela denied reports that the armed conflict was being used for electoral purposes.

Peru reiterates the signatories of the Rio Protocol are the nations that can participate or intervene in the conflict between Peru and Ecuador, as was stated by the Peruvian ambassador to Venezuela. Nevertheless, the OAS action is not being rejected. Peruvian Ambassador to Venezuela Eduardo Raygada has said representatives of Argentina, Brazil, Chile, and the United States are meeting in order to achieve an agreement and cease-fire by the two nations. The ambassador also said President Alberto Fujimori so far has not changed his decision to attend the presidential summit in Cumana. He also denied the conflict is a pre-election strategy by the Peruvian president:

[Begin Raygada recording] I want to firmly reject such an assertion. The political standing and electoral possibilities of President Fujimori are in no way in a situation that would lead him to such an absurd extreme. His electoral position is very clear and is completely removed from this incident. [end recording]

Ambassador Raygada also denied U.S. planes involved in the fight against drug trafficking were used to attack the Ecuadoreans. He also said this conflict should not be extended to international levels.

Guyana

Finance Ministry Announces U.S. Food Aid Cut

FL3001021395 Bridgetown CANA in English 1520 GMT 29 Jan 95

[FBIS Transcribed Text] Georgetown, Guyana, Jan 29, CANA—Guyana's Finance Ministry announced late Friday afternoon the United States Congress had halved its PL-480 food aid programme for the South American republic in the 1995 fiscal year despite intense lobbying here and in Washington. A brief statement released by the Government Information Service [GIS] said the programme, which provides substantial annual supplies of wheat to Guyana, has been cut by 50 percent, to a value of U.S. $3 million.

According to the GIS statement, first indications are that "the U.S. grant for this programme will now be set at U.S. $3 million instead of last year's amount of U.S. $6 million. However, the Finance Ministry disclosed that the U.S. authorities have indicated that a further U.S. $1.5 million will be made available to Guyana under various budgetary allocations," the statement noted.

Official sources told CANA the U.S. Embassy, reportedly increasingly impressed with the return of democratic practices since the October 1992 general elections that swept the Jagan administration into office, had opposed the slashing of the PL-480 programme. The programme has been in place for more than a decade.

"We have made the best case we can (for its retention)," Embassy spokesman Wlliard Smith said earlier this week. He said the Embassy would have prefered to have the PL-480 programme remain as it is, "but the cuts have got to come from somewhere." The trimming of the PL-480 programme is sure to affect wheat supplies to this country, and there is every likelihood that Finance Minister Asgar Ally will address the cut in government's third budget due to be presented to Parliament on Feburary 6.

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